COMMODITY FUTURES TRADING COMMISSION

PRESIDENT'S BUDGET

FISCAL YEAR 2017

Prepared for the Committee on Appropriations, February 2016

U.S. Commodity Futures Trading Commission
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Chairman's Transmittal Letter

February 9, 2016

The Honorable Thad Cochran
Chairman
Committee on Appropriations
U.S. Senate
Washington, D. C. 20510

The Honorable Hal Rogers
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D. C. 20515

The Honorable Barbara A. Mikulski
Ranking Member
Committee on Appropriations
U.S. Senate
Washington, D. C. 20510

The Honorable Nita M. Lowey
Ranking Member
Committee on Appropriations
U.S. House of Representatives
Washington, D. C. 20515

Dear Chairman Cochran, Ranking Member Mikulski, Chairman Rogers and Ranking Member Lowey:

I am pleased to transmit the U.S. Commodity Futures Trading Commission (CFTC or Commission) justification for the President's fiscal year (FY) 2017 budget request. If fulfilled, this budget request would substantially enhance the Commission's ability to oversee our nation's futures, options and swaps markets.

The derivatives markets play an important role in the lives of American families, countless businesses and the broader U.S. economy. By providing farmers, ranchers and companies of all sizes with the ability to manage costs and hedge commercial risk, these markets shape the prices we pay for food, energy, and a host of other goods and services. As a result, the CFTC's task of ensuring they are working properly is critically important.

The CFTC's mission is to protect market participants from fraud, manipulation and abusive practices within the derivatives markets, and to protect the public and our economy from systemic risk. To do so, our agency requires increased funding to effectively oversee futures exchanges, swap execution facilities, derivatives clearinghouses, swap dealers, swap data repositories, futures commission merchants and other intermediaries.

In the aftermath of the worst financial crisis since the Great Depression, which was devastating to America's families, the Commission's responsibilities were substantially increased by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Commission now has primary oversight over the over-the-counter swaps market, which is estimated at $400 to $600 trillion globally, as measured by notional amount. In addition, the futures and options markets that the Commission has traditionally overseen have grown substantially in size, sophistication and technological complexity. But the CFTC's budget has not kept pace with its expanded role and market growth. Though there have been modest increases, which we appreciate, they have not been sufficient for us to carry out these expanded responsibilities in the comprehensive and efficient manner that the American people deserve. For example, in fiscal year 2016, the Commission's funding levels remained unchanged from the year prior.

In order for the Commission to fulfill its duty to oversee these vital markets in fiscal year 2017, the President is requesting $330 million and 897 full-time equivalents (FTE). This is an increase of $80 million and 183 FTE over the FY 2016 enacted level and is effectively the President's FY 2016 Budget request, with adjustments for inflation.

Of this requested increase, approximately 36 percent will be dedicated to information technology investments. These investments will enhance the Commission's effectiveness in every area, including market and risk surveillance, data collection and analysis, and enforcement. The remaining 64 percent supports an increase in staffing and related support, specifically needed for critical areas such as surveillance, enforcement, economic and legal analysis and examinations.

Fulfilling this request will allow this agency to engage in a number of important activities that will help ensure that U.S. derivatives markets continue to be global leaders. First, it will allow the Commission to improve surveillance capabilities to keep pace with advances in technological sophistication by market participants. This oversight will help detect excessive risk and prevent fraud, abusive practices and manipulation.

Second, this budget will increase the CFTC's enforcement efforts, which are so important in light of its expanded responsibilities, market complexity, and the advent of new, complicated forms of illegal behavior, such as spoofing. Today, analyzing trading patterns involves sophisticated information technology (IT) capabilities and unique expertise. The Commission must have the necessary resources to investigate and punish abusive practices.

Third, it will allow the Commission to substantially bolster its examinations of the critical infrastructure in our markets, such as clearinghouses. Recent reforms have made these institutions even more important in the global financial system. In particular, this budget will better equip the agency to deal with the risk of cyberattacks to this critical infrastructure, which is probably the single most important threat to financial stability today. The CFTC needs to conduct more frequent and comprehensive cybersecurity and business continuity examinations, as well as regularly review the adequacy of risk management, financial and operational resources, compliance with customer protection rules, and other matters.

Fourth, additional resources are essential to maintain and improve the basic IT infrastructure and capabilities of the Commission. This includes the ability to receive, store and analyze vast new quantities of data in light of the expansion of our responsibilities and the increased use of automated trading. In addition, it will allow us to maintain our core hardware, software and telecommunication infrastructure.

Finally, additional resources will enable us to respond more quickly and efficiently to the concerns of market participants and, in particular, commercial end-users. The fundamental purpose of these markets is to allow commercial firms to hedge routine risk and engage in price discovery. Over the last 18 months, the Commission has placed a priority on looking at ways to fine-tune recent reforms and other rules to make sure commercial firms, which were not responsible for the financial crisis, can continue to use these markets efficiently and effectively. The additional staff that the requested budget increase would provide will help make sure all of our divisions have the capacity to address the concerns and suggestions of market participants more quickly and effectively.

The derivatives markets are propelled by the needs of the businesses that depend on them, and the ingenuity and creativity of our private sector. Sensible regulation—regulation that helps ensure transparency and integrity, that helps ensure customers are protected, and that helps prevent systemic risk—is essential to the well-being of these markets and their ability to attract participation from around the world. This budget request will go a long way toward helping the Commission make sure the United States derivatives markets continue to be the most robust, dynamic and respected in the world. Thank you for your consideration of our request.

Sincerely,

cc:

The Honorable John Boozman
Chairman
Subcommittee on Financial Services
and General Government
Committee on Appropriations
U.S. Senate
Washington, D. C. 20510

The Honorable Robert B. Aderholt
Chairman
Subcommittee on Agriculture, Rural
Development, Food and Drug
Administration, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, D. C. 20515

The Honorable Christopher A. Coons
Ranking Member
Subcommittee on Financial Services
and General Government
Committee on Appropriations
U.S. Senate
Washington, D. C. 20510

The Honorable Sam Farr
Ranking Member
Subcommittee on Agriculture, Rural
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U.S. House of Representatives
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Executive Summary

The CFTC or Commission oversees the nation's futures, options and swaps markets. The Commission's mission is to foster open, transparent, competitive, and financially sound markets to avoid systemic risk; and to protect market users and their funds, consumers, and the public from fraud, manipulation, abusive practices related to derivatives and other products that are subject to the Commodity Exchange Act (CEA). To fulfill these roles, the Commission oversees various market intermediaries, including designated contract markets, swap execution facilities, derivatives clearing organizations, futures commission merchants, swap dealers, and swap data repositories.

Although few Americans participate directly in the markets overseen by the Commission, they profoundly affect the U.S. economy and the prices American families pay for food, energy, transportation and most other goods and services. A wide variety of businesses—such as manufacturers, retailers, farmers and ranchers—use these markets to manage routine commercial risk. For example, derivatives enable farmers to lock in a price for their crops, and utility companies or airlines to hedge the costs of fuel. They allow exporters and importers to manage fluctuations in foreign currency exchange rates, and businesses of all types to secure their borrowing costs.

In order for the Commission to fulfill its responsibilities to oversee these vital markets in FY 2017, it is requesting $330 million and 897 FTE. This is an increase of $80 million and 183 FTE over the FY 2016 enacted level and is a continuation of the FY 2016 President's Budget request, making adjustments for inflation. This increase is necessary because the Commission has not received budgetary increases sufficient enough to allow full implementation of its responsibilities, which have expanded greatly due to changes and growth in the markets and the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) as well as growth in the markets.

The traditional markets overseen by the Commission—that is, the futures and options markets—are vastly different today than when the Commission was established 40 years ago or even five years ago. They have grown dramatically in size, technological sophistication and complexity. The number of actively traded futures and option contracts has doubled since 2010 and increased six times over the last decade. The volume of contracts traded has grown dramatically as well. Moreover, today, almost all trading is electronic, and about 70 percent of trading is automated. This has given rise to significant cybersecurity concerns, and has dramatically changed how the Commission engages in market oversight, surveillance and enforcement. All of these developments mean that the Commission must substantially increase its own capabilities in order to fulfill its responsibilities.

The Dodd-Frank Act was enacted partly in response to a swaps market that was unregulated across the globe. Excessive swap risk contributed to the intensity of the 2008 financial crisis. That crisis—the worst the nation has experienced since the Great Depression—exacted a heavy toll on American families and the U.S. economy. We must never forget its true costs: eight million jobs lost, trillions in household wealth destroyed, millions of foreclosed homes, countless retirements and college educations deferred, and businesses shuttered. The reforms called for by the Dodd-Frank Act sought to bring the swaps market out of the shadows. The Dodd-Frank Act dramatically increased the Commission's mission and duties, giving it the primary responsibility for oversight of the over-the-counter swaps market, which is estimated by the Bank for International Settlements at over $500 trillion globally, measured by notional amount. Under the Dodd-Frank Act, Congress directed the Commission to implement four basic goals: 1) clearing of standardized swaps through central counterparties or clearinghouses; 2) trading of swaps on transparent, regulated platforms; 3) oversight of swap dealers and major swap participants; and 4) reporting of data on the swaps market to facilitate greater transparency and enhance regulatory oversight.

Commission staff have worked tirelessly to meet this Congressional mandate. In the five years that have passed since the enactment of the Dodd-Frank Act, the CFTC has developed and adopted almost all of the rules required by Congress creating this new regulatory framework.

However, rules are meaningless without the resources available to implement and enforce them. Although the CFTC's budget has increased since the passage of the Dodd-Frank Act, the increase has not been commensurate with the Commission's expanded responsibilities and market growth. Funding levels have limited the Commission's ability to fulfill both its new and traditional responsibilities. The Commission's resources remain stretched far too thin over many important responsibilities. The consequences are significant. For example:

- The Commission has not kept pace with the increasing technological complexity and globalization of the markets and market participants it oversees. Moreover, its ability to address cybersecurity issues and technological risk generally, the single most important threat to financial stability today, is limited.

- The Commission needs to conduct more frequent and comprehensive cybersecurity and business continuity examinations, particularly of critical market infrastructure, such as clearing houses, exchanges, and swap data repositories. This is of particular concern because oversight must be conducted comprehensively. With market infrastructure, it is particularly important the Commission regularly reviews the adequacy of risk management, financial and operational resources, compliance with customer protection rules, and other important issues.

- The Commission cannot engage in the necessary level of market surveillance, risk surveillance and oversight, and enforcement efforts. This places customers, the market, and by extension the U.S. economy at increased risk of fraud, abusive practices and manipulation.

- The Commission is limited in its ability to improve its information technology systems that are vital to its mission. These include receiving, storing, and analyzing message data that have resulted from the growth in the electronic environment, as well as the vast new quantities emanating from the swaps market.

- The Commission does not have adequate resources to make sure that market participants registered with the Commission comply with its rules and fulfill participants' obligations to their customers, which could expose customer funds to significant risk.

- The Commission cannot respond in a timely and thorough manner to the concerns of the public and users of the derivatives markets. Responding to such concerns is an important part of making sure the markets work effectively to facilitate price discovery and allow the hedging of risk.

- The Commission does not have enough economists to perform critical analysis of market developments and provide robust assistance in considering the relative costs and benefits of the Commission's regulatory activities.

Approximately 36 percent of the requested $80 million increase is required for information technology investments that will enhance all of the Commission's activities, such as market, financial and risk surveillance, data collection and analysis, and enforcement. The remaining 64 percent supports an increase in staffing and related support, with a particular focus on highly critical areas such as surveillance, enforcement, economic and legal analysis, and examinations.

More entities, more markets and more products are subject to CFTC regulation than ever before. Increased technology and sophistication has allowed the industry to respond quickly to the competitive opportunities engendered by the shifting regulatory landscape. Industry innovations, which will only increase with the addition of new entrants, such as swap execution facilities, will continue to add complexity in ways that are yet to become apparent. While these changes will impact all of the CFTC's activities, the near-term impacts will fall most heavily on market and risk surveillance, examinations, enforcement and economic analysis. The CFTC needs to be poised to address emerging issues as they arise.

The Commission plays a vital role in market stability and must make sure that the new regulatory framework is working in practice. However, the CFTC will not be able to meet its statutory obligations in a timely and thorough manner that the American people deserve and expect if funding levels remain flat for a second year. In short, without additional resources, market participants will not be adequately protected, fraudulent actions will not be properly held accountable, and market transparency and efficiency will not be fully achieved.

2017 Budget by Mission Activity

Enforcement

The Commission requests $68.7 million and 212 FTE for enforcement activities, an increase of $15.5 million and 51 FTE over the FY 2016 enacted level. Market integrity will continue to be one of the Commission's key priorities. A strong compliance and enforcement function is vital to maintaining public confidence in the financial markets. This is critical to the participation of many Americans who depend on the futures and swaps marketplace—whether they are farmers, oil producers or exporters. As noted earlier, the markets the Commission oversees continue to grow in size and sophistication. The Commission's challenge is that for each case it initiates, there are many that we cannot investigate because of resource constraints.

The Commission's enforcement efforts are necessary for public confidence and trust in the financial markets. A lack of faith in these markets can have a devastating impact on the economy. The Commission uses its authority to: 1) shut down fraudulent operations and immediately preserve customer assets through asset freeze and receivership orders; 2) uncover and stop manipulative and disruptive trading; 3) ensure that markets, firms and participants subject to the Commission's oversight meet their obligations, including applicable financial integrity and reporting obligations; 4) ban defendants from trading and being registered in its markets; and 5) obtain orders requiring defendants to pay restitution, disgorgement and civil monetary penalties. The Commission also engages in cooperative enforcement work with domestic, state and Federal, and international regulatory and criminal authorities.

The Commission not only has insufficient resources currently, it anticipates more time-intensive and inherently complex investigations due to innovative products and practices within the industry, including the use of automated and high frequency trading. Today, analyzing trading patterns involves sophisticated information technology (IT) capabilities and unique expertise. For example, the advent of new, complicated forms illegal behavior and manipulation, such as spoofing, requires looking at massive quantities of data.

The Commission is investigating more cases involving manipulation, false reporting of market information and disruptive trading practices, including spoofing. Often, these cases involve conduct spanning many years and multiple markets and products, and required forensic economic analysis of trading data. For example, a recent case involving alleged spoofing in connection with the May 2010 "Flash Crash" took years of intensive data analysis and other investigation. In addition, the Commission often faces defendants that will spare no resource in contesting charges. A recent case that arose from the Peregrine fraud, for example, lasted more than two years and required more than 4,800 hours of staff time. The MF Global litigation is ongoing, more than four years after the firm collapsed. The London Interbank Offered Rate (LIBOR) and foreign exchange benchmark cases were global in nature and required intensive reconstruction of communications and trades requiring substantial document, email and chat room reviews, analysis of trading data and books, outside experts and reconstructing timelines. Further, in order to investigate and litigate market-wide violations, as well as those less complex but equally important retail fraud cases, the Commission has increased need for specialized experts to work on enforcement cases.

The Commission is also dedicated to continuing to pursue as many retail fraud cases as its resources allow. In recent years, the Commission prosecuted wrongdoers for a wide range of fraudulent schemes, including Ponzi schemes that preyed upon the retail public's hopes to participate in foreign exchange trading, precious metals speculation, and commodity pools. The Commission's experience with fraudsters is that they gravitate towards, and flourish in, financial markets that are not "policed." Therefore, the Commission must continue to devote significant resources to "walk the beat" of the financial markets within its jurisdiction and protect the retail public that wants to participate in them.

The Commission also foresees an increase in multi-jurisdictional and multi-national investigations given the global nature of the swaps marketplace and the challenges associated with substituted compliance. The Commission is experiencing an increase in international enforcement investigations in its traditional markets. These cases are inherently more resource intensive due to their cross-border nature and in particular coordination with foreign authorities.

Illustrative of those efforts are the Commission's international benchmark rate rigging cases. With the enforcement cases filed during FY 2015, the Commission has imposed in total more than $4.7 billion in civil monetary penalties for manipulation and attempted manipulation of global benchmark rates. This includes $1.9 billion for misconduct relating to foreign exchange benchmarks and over $2.8 billion for misconduct relating to International Swaps and Derivatives Association Fix (ISDAFIX), LIBOR, Euro Interbank Offered Rate (Euribor), and other interest rate benchmarks. These benchmarks are an essential valuation tool for thousands upon thousands of derivatives across financial markets, including options on interest rate swaps, or swaptions; cross-currency swaps; foreign exchange swaps; spot transactions; forwards; options; and futures.

Although the effectiveness of the Commission's enforcement efforts is best measured by the quality, breadth and effect of the cases pursued, quantitative metrics give some picture of the activity. The CFTC filed 69 new enforcement actions and opened more than 220 new investigations during fiscal year 2015. The agency obtained $3.2 billion in sanctions, including $3.14 billion in civil monetary penalties and more than $59 million in restitution and disgorgement, collecting over 90 percent of the sanctions imposed. The results of investing in the Commission and its enforcement can be viewed from another perspective; from 2010 through 2015, the Commission collected fines and penalties of approximately four times its cumulative budgets. In FY 2015 alone, the amount collected was over 12 times the enacted budget. This amount would support the Commission's FY 2017 budget request for the next nine years. The Commission must be able to prevent and punish abusive and fraudulent behavior, especially preventing losses to consumers whose customer funds are misappropriated, to retirees whose savings are stolen through scams, or to the economy, when the efficiency and integrity of the markets are damaged by manipulation and fraudulent trading.

Surveillance

The Commission requests $62.8 million and 160 FTE for market surveillance, an increase of $25.7 million and 56 FTE over the FY 2016 enacted level. Over the past two years, CFTC reviewed its highest priority requirements and determined that a significant investment in technology is required. The funding requested in part supports investments in information technology to further develop the Commission's automated surveillance and data visualization tools.

The CFTC is responsible for overseeing the markets in over 40 physical commodities, as well as a wide range of financial futures and options products based on interest rates, equities, and currencies. There are over 4,000 actively traded futures and options contracts. When all tenors and associated options are included, thousands more are subject to Commission oversight. On a typical day, there may be 750,000 transactions in Treasury futures and more than 700,000 in just the E-mini S&P 500 contract, the most active equity index future. And this does not include the approximately 7,000,000 open swaps reported to swap data repositories. Transactions are only part of the picture, however. In today's high-speed, constantly evolving markets, manipulation and fraud are often conducted using complex strategies involving bids and offers, which far outnumber consummated transactions.

The CFTC continues to face a number of challenges with its new jurisdiction related to swaps. For example, the types of data required by the Commission, the number of data sources providing data, the complexity of the data, and the volume of the data have all expanded significantly. The swaps market presents different challenges than the futures and options market with respect to surveillance. This is because data must be analyzed across the multiple trading platforms that exist. There is also considerable voice-driven activity and complexity related to the execution and processing of trades that do not exist in the vertically integrated futures markets. These require different surveillance perspectives. Aggregating data to understand participants' positions across futures and swaps markets, both cleared and uncleared, is particularly challenging.

The Commission monitors trading and positions of market participants on an ongoing basis. Staff screen for potential market manipulations and disruptive trading practices, as well as trade practice violations. Such market surveillance is critical, and dependent on the ability to acquire large volumes of data and develop of sophisticated analytics to identify trends and/or outlying events that warrant further investigation. This can only be achieved through investment in technology and expert staff to process, analyze, and interpret the information.

Commission staff must also review large customer positions being held at or managed by intermediaries. They also aggregate customer data across clearinghouses. Today, for example, 36 firms hold more than $500 million each in customer funds, with 10 of these firms holding more than $10 billion each. Failure or trouble at any one firm, particularly a larger firm, could seriously disrupt the American marketplace. On-site examinations are an important component of adequate surveillance, but the Commission is limited as to the frequency of these examinations given its constraints.

In the past, the Commission focused primarily, but not exclusively, on cleared products. Over the next ten months, staff plan to accelerate its efforts to integrate uncleared swaps into the program more fully. Developing and implementing this aspect of the program will help to address one of the most important risks that the Commission currently faces. The goal is to develop tools and procedures that will enable staff to analyze positions across cleared and uncleared markets in order to obtain a picture of the risks posed by large market participants to one another, and to the financial system. The Commission is uniquely situated to do this. Achieving this goal, however, will be challenging and it will require an increase in resources beyond its current base level of funding. The major challenges can be broadly categorized as follows: 1) developing and refining tools to sort and to filter the enormous amount of swap data in appropriate ways; 2) developing and refining tools to stress test swap positions in order to quantify potential risks; and 3) integrating uncleared swaps into the cleared program, and comparing data and analysis from surveillance of cleared products with data and analysis from surveillance of uncleared products in order to evaluate systemic risk across derivatives clearing organizations and across cleared and uncleared markets.

Examinations

The Commission requests $34.2 million and 128 FTE for examinations, an increase of $3.4 million and 13 FTE over the FY 2016 enacted level. Regular examinations, in concert with the Commission's surveillance and other activities, are a highly effective method to maintain market integrity so that American businesses can rely on these markets. This activity includes direct examinations performed by Commission staff and oversight of examinations performed by self-regulatory organizations. This level of funding is critical to maintaining a robust and effective examination program.

Among the most important examinations that the Commission conducts are those of clearinghouses, which, as noted, have become critical single points of risk in the global financial system. The Commission already lacks the resources to engage in annual examinations of all clearinghouses, and to conduct a sufficient number of in-depth examinations. And yet, the number of clearinghouses, the scope and complexity of the examination issues and the importance of these examinations to overall financial stability are all increasing. Two clearinghouses under the Commission's jurisdiction have been designated as systemically important by the Financial Stability Oversight Council. The Commission projects the numbers of registered clearinghouses will expand in FY 2017, as it is currently reviewing new applications. As of January 2016, six registered clearinghouses are located overseas, including some that are extremely important to the markets given the volume of swaps and futures cleared for U.S. persons. There are also many other foreign clearinghouses that are not registered but are permitted to engage in certain types of activity in the United States. Although the Commission relies principally on foreign authorities for oversight, it does engage in some monitoring and surveillance of such clearinghouses. Finally, the risk of cyber-attacks is of particular concern with clearinghouses and warrants examinations specifically dedicated to that subject. For all these reasons, the Commission needs to increase its capability to conduct examinations and provide oversight. The examination program is an integral part of the ongoing effort to strengthen clearinghouses and increase transparency.

The Commission must also engage in regular examinations of clearing firms by overseeing the delegated intermediary examination activities of the National Futures Association (NFA) and other self-regulatory organizations by conducting certain direct examinations of certain registrants. In addition, CFTC examination teams must monitor the firms on an ongoing basis, and in particular in situations where a firm may be facing stresses, difficulties or where registrant's customer assets may be at a risk of loss. Unfortunately, market conditions such as low interest rates, low volatility, and other factors have contributed to a net reduction in CFTC registrants holding customer funds. This resulting concentration in the industry means that only 20 firms hold $235 billion in customer funds, or approximately 93 percent of total customer funds for the futures and cleared swaps industries. Should this trend continue, the potential impact of a major firm crisis on the markets will continue to grow, making the Commission's oversight even more important.

Clearing firms are just one example of registrants that the Commission oversees. The Commission also oversees over 100 registered swap dealers, as well as nearly 4,100 commodity trading advisors and commodity pool operators.

In light of its budget limitations, the Commission has asked the NFA to take on greater responsibility for certain examinations, including in particular the examinations of swap dealers. However, the Commission must still oversee the NFA's activity, and in addition to CFTC directly conducts "for cause" reviews, "horizontal" examinations and other examination reviews essential to making sure laws and regulations are observed and customers are protected. Although the Commission will continue to strengthen the role of the NFA, oversight of clearing firm and swap dealer examinations remains an area where additional investment is warranted. In addition, the CFTC will continue to do targeted examinations of certain registrants with respect to key issues. For example, the Commission is working with the other banking agencies and U.S. Securities Exchange Commission (SEC) to determine responsibilities for those entities that are part of banking organizations and subject to the so-called "Volcker Rule." Because of the way the "Volcker" law was written, the CFTC will have primary audit responsibility for certain registrants that are not otherwise subject to another primary prudential regulatory.

Registration and Compliance

The Commission requests $18.0 million and 62 FTE for registration and compliance activities, an increase of $3.5 million and 10 FTE over the FY 2016 enacted level. The Commission's ability to analyze registrations in a timely and thorough manner is critical to market efficiency and confidence. The agency's responsibilities have greatly expanded in this area. The new swap regulatory framework resulted in the temporary registrations of 23 swap execution facilities and over 100 swap dealers, plus four provisionally registered swap data repositories. While the Commission recently completed the permanent registration reviews of 18 swap execution facilities, it still has a significant backlog as a result of the new requirements. In light of the increasing globalization of the markets and changes made by the Dodd-Frank Act, the Commission also has applications for pending registration from 19 foreign boards of trade. It is also considering applications for registration from a number of derivatives clearing organizations, and is in the process of reviewing petitions for exemption from derivatives clearing organization registration from several foreign clearinghouses in FY 2015. The Commission expects additional applications in FY 2017 and beyond.

The Commission performs a thorough review of the applications of all entities seeking to be registered or designated as a designated contract market, swap execution facility, foreign board of trade, clearinghouse, or swap data repository. It also oversees the work of the NFA in regard to the registration of swap dealers, major swap participants, futures commission merchants, Commodity Pool Operators, and other intermediaries. Further, upon completion of an entity's initial registration process, the CFTC continues to monitor the entity's activities for compliance and may provide policy direction and legal interpretative guidance when necessary.

The Commission must also be able to respond to product and market innovation by carrying out registration reviews efficiently. A lack of adequate funding impairs the Commission's ability to attract and retain the experts who understand the markets and who have the capability to review registrations and carry out compliance oversight in a timely and thoughtful manner. Failing to do so can result in delays, ineffective customer protection, regulatory uncertainty, and higher legal and compliance costs for registrants. All of these factors severely impact the efficiency, integrity, and attractiveness of the nation's markets.

Product Reviews

The Commission requests $6.3 million and 22 FTE for product reviews, a slight increase of $0.8 million and two FTE above the FY 2016 enacted level. The Commission conducts reviews of new contract filings, to ensure that the contracts are not readily susceptible to manipulation or price distortion, and are subject to appropriate position limits or position accountability. For similar reasons, the Commission also analyzes amendments to contract terms and conditions. In addition, new swaps products are reviewed to determine whether they should be required to be cleared pursuant to a clearing mandate. Proliferation of products by industry, which has increased in recent years, and the inherently greater complexity of swaps contracts necessitates an increase in staffing if the Commission is to keep pace with industry's innovations and act in a timely and efficient manner.

Data and Technology Support

Information Technology (IT) costs include IT investments (*e.g.*, hardware, software, and contractor services), FTE, and indirect costs that are directly attributable to the benefiting mission activity. The Commission requests $61.1 million and 60 FTE for enterprise-wide data and technology support activities, an increase of $17.1 million and 11 FTE above the FY 2016 enacted level. This mission activity supports the cross-agency data and technology infrastructure needs of the Commission. This amount represents a portion of the $113.4 million IT Portfolio, which includes $79 million in investments from the IT program and $34.4 million for IT staff and operating expenses from the Salaries and Expenses program. The total IT Portfolio of $113.4 million is located in Appendix 2.

Data, and the ability to analyze and report data, are more important than ever in the derivatives markets, and in CFTC's ability to oversee those markets. As a result, it is essential that the Commission continuously invest in its data analysis capabilities.

The CFTC must be able to aggregate various types of data from multiple industry sources that have grown dramatically more complex. For example, legacy structured end-of-day position data for the futures and options markets contained less than two dozen fields per record from a structure derived from punch cards. Now, some swap data required to be analyzed by the CFTC contains over 1,000 fields per record. Analysis of data that is this complex requires a new generation of more powerful, high performance computing hardware and analysis techniques in order to understand the volume, interrelations, and market risks being described. In addition to ingesting and aggregating these complex types of data, the Commission must safeguard the data of a wide variety of registered entities, to ensure it is maintained in a safe, secure environment, and is properly available to support compliance/surveillance activities, and enforcement investigations.

Infrastructure and services must also be expanded to support the growth in the agency. This includes basic computing, data communications, expansion of storage, network capacity; implementation of DHS-mandated cybersecurity measures; and a refresh of end-of-life equipment. Operations, platforms, and systems across all divisions must also be enhanced. This includes legal, technology systems, and forensics support systems for enforcement as well as surveillance systems.

Effectively aggregating and distilling the extensive set of data reported by market participants and correlating it with other market and financial data is an extensive, long-term undertaking that requires dedicated resources. As the activity increases on the registered entities, it expands the Commission's responsibility and requires continuing investment in the Commission's technology infrastructure and analytical capability. Enforcement investigations, examinations, and compliance, rule and new product reviews all depend on having access to expanding sets of data and increases the need for analytical requirements.

Economic and Legal

The Commission requests $31.4 million and 103 FTE for economic and legal support activities in FY 2017, an increase of $6.2 million and 18 FTE over the FY 2016 enacted level.

Economic analysis plays an integral role in the development, implementation, and review of financial regulations to ensure they are economically sound and have undergone a rigorous consideration of potential costs and benefits. The Commission is committed to integrating robust economic analysis into its regulatory activities. But its capacity should be augmented to ensure that consistent, thorough, high-quality economic analysis can be performed throughout the Commission. In addition, with the goal of enhancing the Office of the Chief Economist's resources on a project-by-project basis, staff have been striving to develop a network of external researchers and academics in quantitative financial methods, applied mathematics, econometrics, and statistics. But progress is dependent on availability of additional in-house economists.

The Commission's Office of the General Counsel (OGC) represents the Commission in Federal courts and before administrative bodies in litigation, including appeals of enforcement actions, challenges to agency actions, derivatives industry bankruptcies, employment lawsuits and other administrative matters. It also is responsible for reviews of proposed rules, as well as staff interpretive and no-action letters to ensure consistency and compliance with the requirements of the Commodity Exchange Act (CEA). Unfortunately, this is a function that has been slowed by the current lack of resources.

The lack of adequate economic staff in the divisions, as well as adequate staff for the OGC, has significantly impaired the ability of Commission staff to respond promptly to requests for relief or interpretations from regulated entities and market participants, such as end-users. Increased funding would significantly improve the ability of staff to respond in a timely and appropriate manner.

International Policy

The Commission requests $5.2 million and 18 FTE for international support activities in FY 2017, an increase of $1.0 million and five FTE over the FY 2016 enacted level. The global nature of the futures and swaps markets, including the presence of a growing number of foreign-based clearinghouses that are registered, or are requesting registration, in both the United States and their home country, makes it imperative that the Commission consult and coordinate with international authorities in both bilateral and multilateral proceedings. The Commission is actively working with international regulators to avoid conflicting requirements and to engage in cooperative supervision, wherever possible. The Commission will work with international authorities with responsibility for the regulation of the swaps markets in major market jurisdictions to support the adoption and enforcement of robust and consistent standards in and across jurisdictions. It will also work with these authorities to develop concrete and practical solutions to conflicting application of rules, identify inconsistent or duplicative requirements and attempt to reduce the regulatory burdens associated with such requirements, and identify gaps that could lead to regulatory arbitrage.

Overview of the FY 2017 Budget

FY 2017 Budget Request by Program[1] [2] [3]

Table 1: Summary of FY 2015 to 2017 by Program

	FY 2015 Actual $ (000)	FY 2016 Enacted $ (000)	FY 2017 Request $ (000)	Change $ (000)
Salaries and Expenses (Excluding OIG)	$196,854	$197,380	$247,538	$50,158
Office of the Inspector General	$2,598	$2,620	$3,462	$842
Information Technology	$50,621	$50,000	$79,000	$29,000
Total	**$250,073**	**$250,000**	**$330,000**	**$80,000**

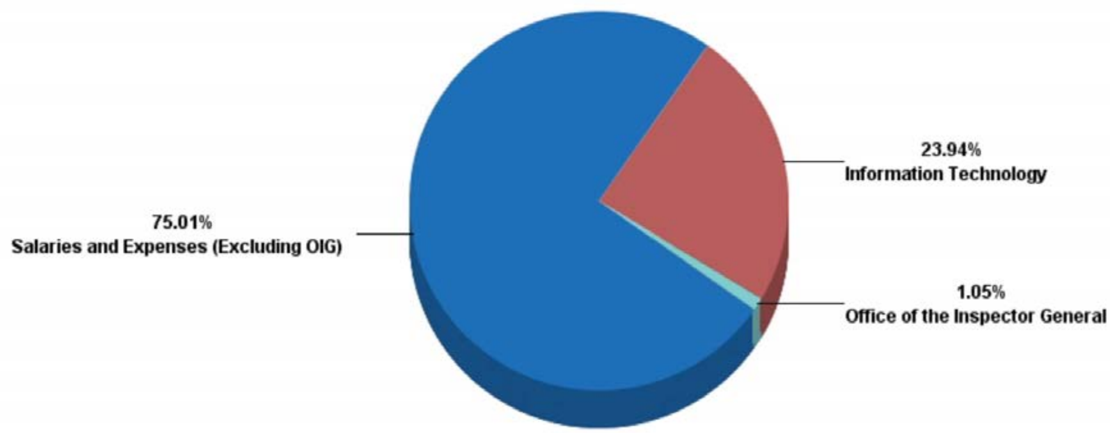


Figure 1: $330.0 Million Budget Request by Program

[1] Salaries and Expenses: The Salaries and Expenses program provides funding for all CEA-related activities. This includes funding for Federal staff salaries and benefits, leasing of facilities, travel, training, and general operations of the Commission. Information Technology: The Information Technology program provides funding for information technology investments. This includes hardware, software, contractor support, and other related information technology requirements..

[2] The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). All other budget displays by mission activity, division or any other depiction are for informational purposes only.

[3] The OIG program provides audits, investigations, reviews, inspections, and other activities to evaluate the operations and programs of the Commission.

FY 2017 Budget Request by Mission Activity[1]

Table 1: Summary of FY 2015 to 2017 by Mission Activity

	FY 2015 Actual		FY 2016 Enacted		FY 2017 Request		Change	
	FTE	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE	$ (000)
Agency Direction and Management	119	$41,968	115	$35,495	132	$42,135	17	$6,640
Data and Technology Support	49	$40,874	49	$44,004	60	$61,136	11	$17,131
Economic and Legal Analysis	75	$22,475	85	$25,227	103	$31,423	18	$6,196
Enforcement Activities	155	$50,976	161	$53,188	212	$68,720	51	$15,532
Examinations	99	$26,386	115	$30,785	128	$34,216	13	$3,431
International Policy	13	$3,941	13	$4,175	18	$5,226	5	$1,052
Product Reviews	16	$4,644	20	$5,501	22	$6,349	2	$849
Registration and Compliance	46	$13,682	52	$14,489	62	$17,975	10	$3,486
Surveillance	119	$45,127	104	$37,135	160	$62,819	56	$25,684
Total	**690**	**$250,073**	**714**	**$250,000**	**897**	**$330,000**	**183**	**$80,000**

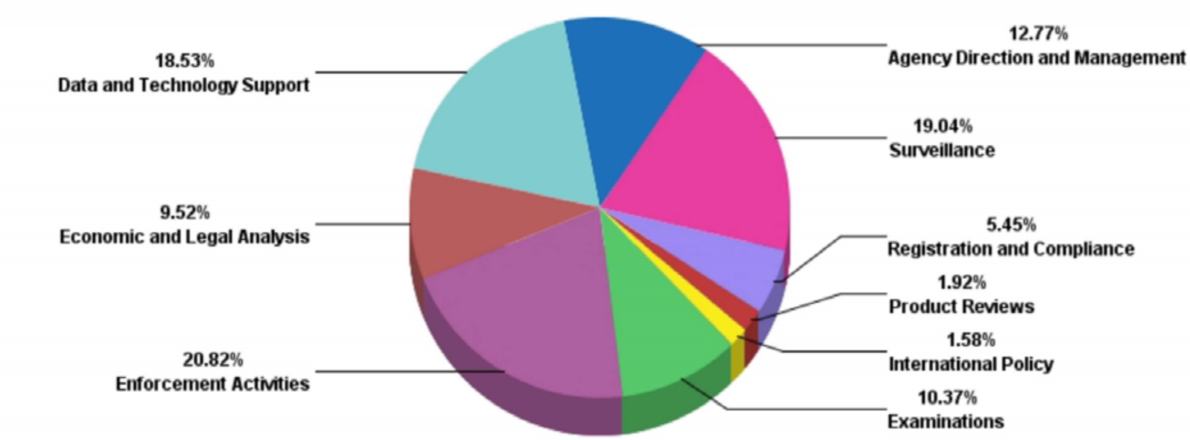


Figure 2: $330.0 Million Budget Request by Mission Activity

[1] The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). All other budget displays by mission activity, division or any other depiction are for informational purposes only.

FY 2017 Budget Request by Division[1]

Table 2: Summary of FY 2015 to 2017 by Division

	FY 2015 Actual		FY 2016 Enacted		FY 2017 Request		Change	
	FTE	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE	$ (000)
Agency Direction	33	$9,001	28	$8,003	37	$10,075	9	$2,073
Agency Management and Support	78	$19,368	74	$18,342	84	$20,802	10	$2,460
Chief Economist	11	$3,154	12	$3,036	18	$5,334	6	$2,298
Clearing and Risk	62	$16,757	72	$19,642	95	$25,138	23	$5,495
Data and Technology	92	$83,229	95	$78,605	113	$113,433	18	$34,828
Enforcement	158	$48,767	164	$49,623	217	$64,940	53	$15,316
General Counsel	46	$13,523	47	$13,872	58	$17,295	11	$3,424
Inspector General	8	$2,598	10	$2,620	11	$3,462	1	$842
International Affairs	10	$3,054	10	$3,215	12	$3,509	2	$294
Market Oversight	107	$27,608	115	$29,961	153	$39,613	38	$9,652
Swap Dealer and Intermediary Oversight	85	$23,013	87	$23,082	99	$26,400	12	$3,318
Total	**690**	**$250,073**	**714**	**$250,000**	**897**	**$330,000**	**183**	**$80,000**

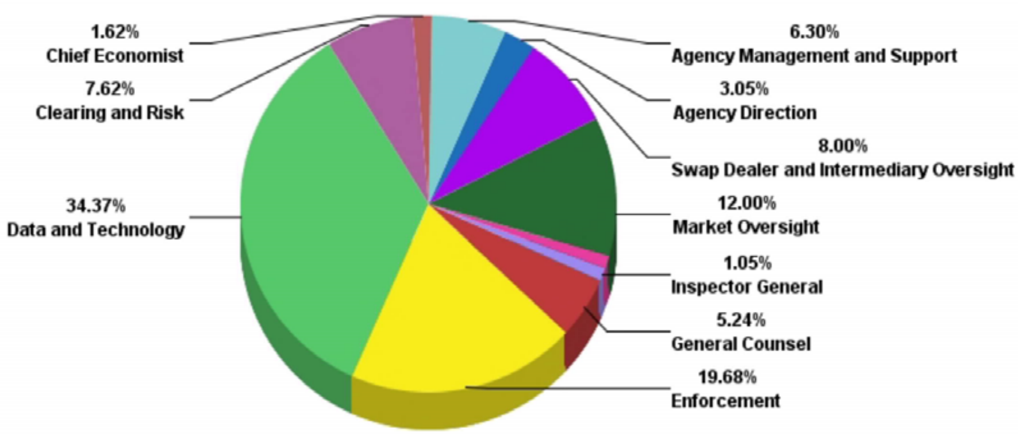


Figure 3: $330.0 Million Budget Request by Division

[1] The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). All other budget displays by mission activity, division or any other depiction are for informational purposes only.

FY 2017 Budget Request by Object Class

Table 3: Summary of FY 2015 to 2017 by Object Class

	FY 2015 Actual $ (000)	FY 2016 Enacted $ (000)	FY 2017 Request $ (000)	Change $ (000)
11.0 Personnel Compensation	$107,149	$118,717	$151,955	$33,238
12.0 Personnel Benefits	$33,413	$35,378	$45,283	$9,905
21.0 Travel and Transportation of Persons	$2,104	$1,886	$2,753	$868
22.0 Transportation of Things	$121	$0	$0	$0
23.2 Rental Payments to Others	$21,325	$15,411	$22,949	$7,538
23.3 Communication, Utilities, & Misc.	$4,407	$2,622	$4,472	$1,850
24.0 Printing and Reproduction	$581	$0	$15	$15
25.0 Other Services	$72,526	$63,550	$88,899	$25,349
26.0 Supplies and Materials	$1,961	$250	$220	($30)
31.0 Equipment	$6,461	$12,186	$13,453	$1,267
32.0 Building and Fixed Equipment	$26	$0	$0	$0
Total	**$250,073**	**$250,000**	**$330,000**	**$80,000**

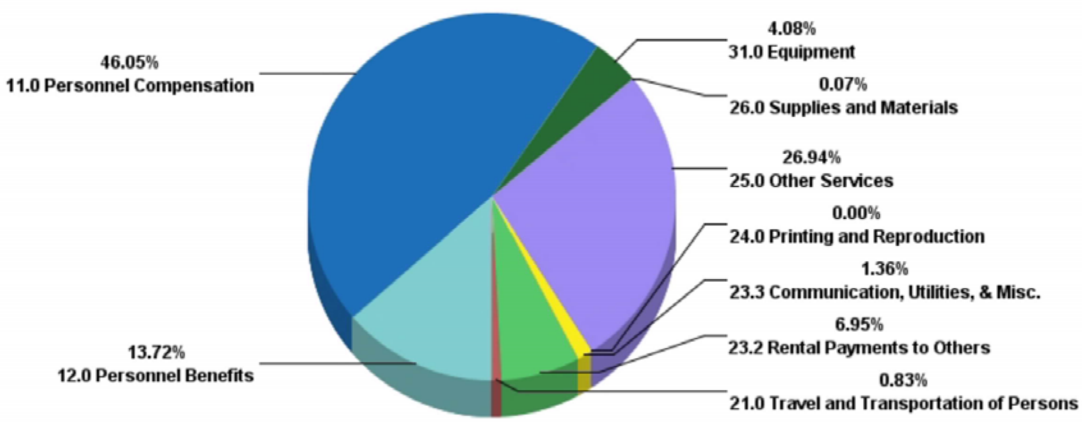


Figure 4: $330.0 Million Budget Request by Object Class

Crosswalk from FY 2016 to FY 2017

	FY 2016 Estimate	FY 2017 Request	Change
Budget Authority ($000)	$250,000	$330,000	$80,000
Full-Time Equivalents (FTEs)	714	897	+183

Explanation of Change	**FTE**	**Dollars ($000)**
Current Services Increases: (Adjustments to FY 2016 Base)		
To provide for changes in personnel compensation & benefits:		$3,711
To provide for the following changes in non-personnel costs:		$9,388
-Space Rental/Communications/Utilities ($9,388)		
Program Increase: (Adjustments to FY 2017 Current Services)	+183	$66,900
--Addition of 183 FTE ($39,495)		
-Travel/Transportation ($868)		
--Other Services ($25,285)		
--Supplies/Printing (-$15)		
--Equipment ($1,267)		
Total Change	**+183**	**$80,000**

Table 4: Crosswalk from FY 2015 to FY 2016

Justification of the FY 2017 Budget by Mission Activity

Enforcement

Resource Overview

	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request	Change
BUDGET	$50,975,777	$53,188,374	$68,720,431	+$15,532,056
FTE	155	161	212	+51

Mission Activity Description

The Commission is responsible for protecting market participants and other members of the public from fraud, manipulation and other abusive practices in the futures and swaps markets. Its cases range from quick strike actions against Ponzi enterprises that victimize investors across the country, to actions concerning sophisticated manipulative and disruptive trading schemes in markets the Commission regulates, including financial instruments, oil, gas, precious metals and agricultural goods.

Justification of CFTC Request by Function

Enforcement

The Commission will utilize the requested resources to maintain a robust enforcement program, which is necessary to protect both customers and the integrity of the markets. With the Commission's new authority and responsibility granted by Congress in the Dodd-Frank Act, and in light of the continued growth in the markets it oversees, the Commission must maintain and expand its enforcement program in order to fulfill its mandate. These vital resources enable the Commission to, among other things: 1) shut down fraudulent schemes and seek to immediately preserve customer assets through asset freezes and receivership orders; 2) uncover and stop manipulative and disruptive trading; 3) ensure that markets, firms and participants subject to the Commission's oversight meet their obligations, including their financial integrity and reporting obligations, as applicable; 4) ban defendants from trading and being registered in its markets; and 5) obtain orders requiring defendants to pay restitution, disgorgement and civil monetary penalties.

With the increasing complexity and interconnectivity of the financial markets, these resources are also necessary for the Commission to maintain the force multiplying benefit of the enforcement program's cooperative enforcement work with domestic, state and Federal, and international regulatory and criminal authorities.

Impact if Not Funded at Requested Level of Resources. The Commission is committed to making good use of its resources, responding in a timely manner to market events and acting swiftly where customers are at risk. If the requested funding level is not received, the decrease in resources will make it increasingly difficult for the Commission to quickly investigate and prosecute wrong-doers. This vulnerability could significantly sap confidence in the markets and undermine the Commission's regulatory oversight.

For example, new forms of manipulation, such as spoofing, are complicated and constantly evolving. Moreover, trading in our markets today is largely automated. As a result, analyzing trading patterns involves looking at massive quantities of data, which requires sophisticated IT capabilities and unique expertise.

In addition, the integrity of benchmark rates, which are used by individuals and firms across the globe, remains a priority for the Commission. Over the last two years, we imposed penalties of $4.6 billion in the investigation of manipulation of global benchmark rates, $1.8 billion in penalties on six banks for misconduct relating to foreign exchange benchmarks, and over $2.7 billion for misconduct relating to ISDAFIX, LIBOR, Euribor, and other interest rate benchmarks. A decrease in resources would compromise the Commission's ability to maintain its oversight on the thousands of contracts used in the markets and also limit the enforcement program's capacity to investigate these matters.

Anti-fraud enforcement also remains a core commitment of the CFTC's enforcement program. During the past year, the Commission prosecuted wrongdoers for a wide range of fraudulent schemes, including Ponzi schemes that preyed upon the retail public's hopes to participate in forex trading, precious metals speculation, and commodity pools. The Commission's experience with fraudsters is that they gravitate towards, and flourish in, financial markets that are not "policed." Therefore, the Commission must continue to devote significant resources to "walk the beat" of the financial markets within its jurisdiction and protect the retail public that wants to participate in them. A decrease in resources allocated to the enforcement program would encourage further misconduct and abuse of individual investors.

In protecting the markets and market participants, the Commission engages in investigations and takes enforcement action, when necessary, to make sure that firms maintain their financial integrity and that markets, firms and significant market participants fulfill their regulatory obligations, including reporting obligations. Commission registered firms are required to meet standards for their capitalization and handling of funds, which standards are intended to safeguard against market disruption and abuse from imprudent practices or intentional misconduct and to protect customers. The reporting requirements for markets, firms and significant market participants, which include obligations related to swaps transactions, are essential to the CFTC's ability to conduct effective surveillance of the markets that it regulates. With the Dodd-Frank Act's expansion of the Commission's responsibility, the Commission will need to expend additional resources to ensure that the markets, firms and significant market participants in the trillion dollar swaps marketplace uphold these essential obligations. A decrease in resources would jeopardize the Commission's ability to ensure that persons who are subject to regulatory requirements meet those obligations and thus would place at risk the Commission's ability to ensure the integrity of the markets.

Data and Technology

Continuing to enhance eLaw technology and support (*e.g.*, case assessment and management, document review, eDiscovery, forensics, searching, audio analytics, and data analytics) will help address rising case volumes, complex enforcement actions, and keep pace with extensive use of technology by opposing counsel. Providing enforcement staff with sufficient resources for technical support increases their ability to focus on investigation and litigation.

Robust enforcement is critical in protecting the public. The eLaw technology system is an integral part of that effort. Several components of this system will continue to be enhanced in FY 2017. Data storage capacity will be increased, to support ever-growing volumes of digital evidence and analytic support databases. Computer forensics will be enhanced, to examine new types of digital evidence. Technical support services for staff will be increased, to ensure that technical and logistical activities minimally constrain the critical timelines of enforcement actions.

Impact If Not Funded at Requested Level of Resources. Without the requested resources, we will be unable to continue to keep forensics, investigation, and litigation support tools current and provide staff with sufficient legal technology services. This will constrain the number of investigations and enforcement actions the Commission is able to conduct.

Breakout of Enforcement Request [6]

Table 5: Breakout of Enforcement by Division

	FTE	Salaries and Expenses ($000)	IT ($000)	Total ($000)
Enforcement	207	$61,874	$0	$61,874
Data and Technology	5	$1,254	$5,592	$6,846
Total	**212**	**$63,128**	**$5,592**	**$68,720**

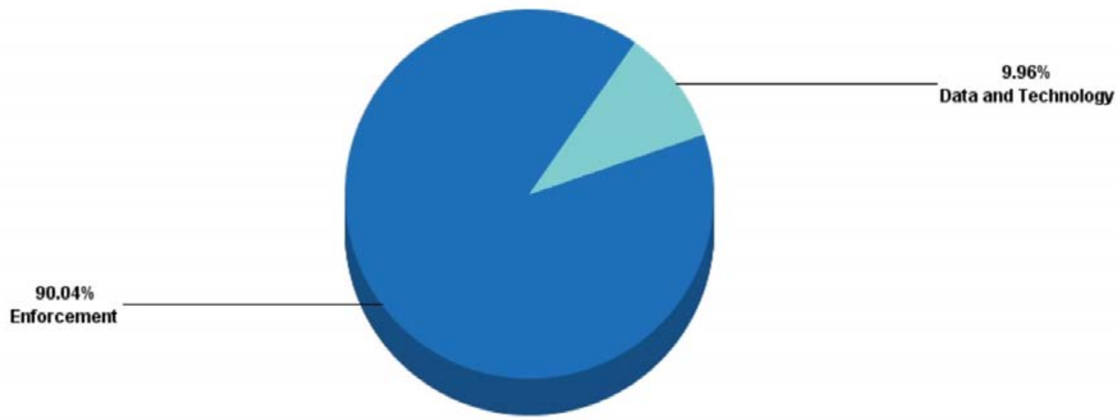


Figure 5: Enforcement Request by Division

[6] The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

Surveillance

Resource Overview

	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request	Change
BUDGET	$45,127,231	$37,135,432	$62,819,162	+$25,683,730
FTE	119	104	160	+56

Mission Activity Description

The Commission monitors trading and positions of market participants on a daily and ongoing basis. Surveillance of complex markets and sophisticated trading instruments requires a depth of practical industry knowledge in the commercial use of the physical, futures and derivative products by industry. New surveillance requirements stemming from Dodd-Frank Act have altered the basic characteristic of the work executed by Commission staff. Years ago, CFTC staff were primarily concerned with physical commodities and the squeezing commodity futures contracts, detecting customer abuse by floor traders and the reporting of fundamentals to the Commission. Today, the Commission is focused on analyzing, aggregating and monitoring diverse data sources, which help uncover market abuses and non-compliance with Commission rules and regulations.

Market Surveillance. The Commission monitors trading and positions of market participants on an ongoing basis. Commission staff screen for potential market manipulations and disruptive trading practices, as well as trade practice violations.

In addition to its traditional markets, the CFTC also needs to monitor swap markets for both compliance and manipulation abuses. The Commission has extended surveillance to small exchanges, (non-core) products or newly traded products. It monitors futures options markets for fraud. And it provides "deep dive" analysis and reviews of a market participants or traders' portfolio of positions and transactions in physical and financial products for potential manipulations and lesser potential violations.

Surveillance staff are frequently called upon as subject matter experts to provide an understanding of commercial practices, analyze market events and recapitulate fundamentals. This often goes beyond the confines of briefing agency personnel or Commissioners. Surveillance staff are often asked to provide briefings to other departments and agencies throughout the United States, as well as to international agencies across the globe.

Market surveillance monitoring is conducted to further understand structural market changes and support new regulatory requirements. Surveillance systems and tools will incorporate innovative surveillance approaches developed by staff into scheduled, regularly-run monitoring processes.

Financial and Risk Surveillance. Staff conducts risk and financial surveillance of derivatives clearing organizations, clearing futures, futures commission merchants, and other market participants, such as swap dealers, major swap participants, and large traders, that may pose a risk to the clearing process.

Staff look at market risk, liquidity risk, credit risk and concentration risk. The Commission has extensive daily margin and position reporting requirements that enable it to engage in daily risk surveillance. Our program includes daily review of the positions of clearing members and large traders. Staff engage in analysis of margin models, stress testing of positions, back testing of margin coverage, and in-depth compliance examinations. Staff seek to identify who is at risk, the magnitude of that risk, and how that risk compares to available financial resources. Staff also require clearinghouses to oversee the risk management policies and practices of their members.

Staff routinely detects traders with risk that appears to be potentially excessive, and may take a range of different actions. The Commission may seek account statements or other financial documentation. If concerns remain, staff often interviews clearing member or trader staff. These interviews focus on the trader's financial resources, trading strategy, trading techniques, and trading experience.

The Commission has conducted on-site risk reviews with traders ranging from the largest hedge fund operators to individuals. It routinely discusses risk practices with clearing members. Staff also produces a number of internal reports to track industry trends affecting clearing members. Some daily reports track which clearing members had large variation margin payments across clearinghouses, or strings of consecutive days with variation margin losses. Other reports show which clearing members' risks are increasing at particular clearinghouse or across clearinghouses and which clearing members' risks are decreasing.

Staff has also been conducting FCM compliance reviews regarding Regulation 1.73, which requires registered FCMs to conduct screening of orders, to stress test customer and proprietary positions, to evaluate their ability to meet initial margin requirements and make variation margin payments, and to evaluate their ability to liquidate positions quickly

In addition, over the next ten months, staff plan to accelerate its efforts to integrate uncleared swaps more fully into its risk surveillance program. In the past, the Commission focused primarily, but not exclusively, on cleared products.

Developing and implementing this aspect of the program will help to address one of the most important risks that the Commission currently faces. The goal is to develop tools and procedures that will enable staff to analyze positions across cleared and uncleared markets in order to obtain a picture of the risks posed by large market participants to one another, and to the financial system.

Achieving this goal, however, will be challenging and it will require an increase in resources beyond its current base level of funding. The major challenges can be broadly categorized as follows: 1) developing and refining tools to sort and to filter the enormous amount of swap data in appropriate ways; 2) developing and refining tools to stress test swap positions in order to quantify potential risks; and 3) integrating uncleared swaps into the cleared program, and comparing data and analysis from surveillance of cleared products with data and analysis from surveillance of uncleared products in order to evaluate systemic risk across derivatives clearing organizations and across cleared and uncleared markets.

Business Analytics. CFTC also maintains a business analytics platform that supports market surveillance and financial and risk surveillance. Platforms allow staff analyzing regulatory reporting and industry data to keep pace with the continuing growth in data volume and complexity and rapidly evaluate data, build specific work products for unique market and participant conditions, and develop innovative approaches to ongoing market and financial and risk monitoring.

Justification of CFTC Request by Function

Market Oversight

Market oversight and surveillance activities are dependent on the ability to receive and analyze large trade volumes of data. As such, the continuing development of sophisticated systems to analyze that data and respond to outlying events or help identify trading or positions that warrant further inquiry is essential for robust surveillance. Currently, staff conduct limited forensic analysis involving data sent to the Commission to uncover potential market abuses and to protect market integrity by participants. In addition, in real-time, Surveillance staff enter into dialogues with market participants and with the exchanges, about market participant activities in all phases of trading as commodity situations of interest arise.

Through collection of shared data sets, including swaps data that is maintained at swap data repositories, the Commission has the unique and essential ability to aggregate data received from all market participants by continuously improving data ingest, warehousing, and analytics systems and tools and implementing new systems and tools as needed or as innovative technology is adopted by industry participants. This ultimate aggregation will give the Commission a more encompassing view of futures, options and swaps transactions, which will, in turn, allow the Commission to conduct participant level surveillance for violations and abuses across markets. This capability is particularly important with the expansion of the Commission's mandate in the disaggregated swaps markets, as market participants may have swaps data residing in multiple swap data repositories, and multiple derivatives clearing organizations. The increased complexity of swap instruments (versus futures and options) as well as the increased velocity of trading across these various instruments and trading venues makes it essential that the Commission have sufficient tools and resources to view data across the industry landscape in order to detect and deter market manipulation and disruptive trading practices.

Impact if Not Funded at Requested Level of Resources. Without adequate funding, the Commission will be significantly impaired in its ability to analyze both traditional and new sources of market data, and as a result, will be unable to analyze market anomalies or detect and analyze potential market abuses sufficiently, or develop and implement analysis-based tools. The impact to the core activity of market surveillance is compromising to the Commission's mission of protecting market integrity and detecting and deterring market abuses. Market manipulation, price distortion and compliance violations detection will be hampered and abuses will escape discovery without the requested funding. The lack of a comprehensive understanding of market events and participant trading behaviors will significantly increase the likelihood that major market risks or illegal activities will go undetected. Additionally, the Commission would have to abandon forensic evaluations, postpone surveillance tool development, and provide surface-only examination of swaps data for potential abuses, thereby significantly increasing the costs to be borne by other market participants and the broader U.S. economy. Examples of other deficiencies would include, but are not limited to: 1) an inability to aggregate various data used to oversee reporting requirements; 2) a decreased ability to detect and deter market manipulation and trade practice concerns; 3) an inability to invest in and deploy automated trading violation and surveillance alerts; 4) a deteriorated comprehension of market structure changes; and, 5) a limited ability to develop and implement sophisticated analysis-based surveillance tools

Clearing and Risk

Risk surveillance is a technology-intensive task. Commission use internally developed applications and commercially available software. Since implementation of the Dodd-Frank rulemakings, RSB has been analyzing a huge amount of data from a variety of sources. The Commission's ability to continue to function effectively is dependent on its ability to process this data.

Enhancing CFTC's financial analysis tools is critical, as the Commission will be the only financial regulator that will be able to aggregate and evaluate risk across all derivatives clearing organizations. Each derivative clearing organization's view of risk is limited to market participants clearing at that particular organization. Many market participants will have positions at multiple clearinghouses in more than one asset class. The Commission is enhancing its futures-specific risk surveillance program to include the ability to stress test positions in swaps for market participants and derivatives clearing organizations. These financial analysis tools, coupled with analysis of the swaps data maintained at swap data repositories, will also be used as part of oversight and reviews of futures commission merchants and swaps dealers' risk management controls.

For futures, the only variables are the price, delivery month, and identity as a buyer or a seller. For an interest rate swap, there may be many more variables that can be customized. These include, among others, the notional amount, the currency, the fixed rate, the index to which the floating rate is tied, and the maturity. As a result, derivatives clearing organizations clear many more swap products than futures. For example, the CME currently lists approximately 105 individual interest rate futures; by contrast, LCH currently carries cleared positions in over 900,000 individual interest rate swaps.

Moreover, for uncleared swaps, substantial work is still needed to ensure that the data is complete and accurate. Currently, much of the data from swap data repositories are is incomplete or contain inaccurate values in key fields. This limits staff's ability to calculate the value of positions and to conduct stress testing. In addition, many swaps are not properly terminated, which may result in double-counting of positions.

Once data validation is completed, further work is then needed to develop tools to sort and to filter the data in a variety of appropriate ways. For example, work is needed to sort by beneficial owner, by affiliate group, and by clearing member, if applicable.

Complex analysis is necessary to determine the extent to which a trader's positions across multiple products, trading venues, and derivatives clearing organizations have risks that are offsetting or compounding. Even more complex analysis is necessary to quantify such risk. Having quantified risk, one must then assess whether the relevant parties (traders, clearing members, derivatives clearing organizations) are taking appropriate steps to manage the risk. The complexity of the interconnections increases when uncleared products are included.

In addition, resources are needed to review new derivatives clearing organization margin models and changes to existing margin models. Many derivatives clearing organizations clear the same asset class, but each uses its own margin model to calculate margin requirements. In some instances the requirements for the same positions will not be the same at multiple derivatives clearing organizations. The Commission must compare and contrast these models in order to analyze differences and to ensure appropriate coverage.

Moreover, resources are also needed to review swap dealer models for margining uncleared swaps, to address this, the Commission is working to establish a specialized activity to assess capital and margin models, both on an initial and ongoing basis, as part of the Dodd-Frank Act's requirement to establish and implement margin and capital requirements for swap dealers and major swap participants.

The Commission would seek to leverage to the extent practicable, reviews and assessments performed by the prudential regulators, the SEC, and foreign regulators, and would include coordinating efforts with self-regulatory organizations.

Impact if Not Funded at Requested Level of Resources. If the Commission is not funded at the requested level it would not have the resources to further evaluate risk across derivatives clearing organizations. The Commission also will not have the resources to incorporate uncleared swaps into its risk surveillance. This function is critical to risk management oversight of derivatives clearing organizations, and the Commission is the only entity with the data and capabilities to perform this function. Additionally, the Commission will be unable to develop the proactive swap evaluation as planned. Given the increasing concentration in the industry, it is crucial that the Commission have the ability to identify and to address risks at an early stage in order to prevent extreme market disruption or the loss of customer funds.

For all aspects of surveillance activities, receipt of accurate comprehensive data is important. The CFTC will be receiving data from new market participants and for new, complex derivatives such as IRS swaptions. Without the requested level of funding, the CFTC will have great difficulty integrating this data into its risk surveillance program.

Data and Technology

CFTC's data management is crucial to effective oversight of an increasingly complex and diverse electronic marketplace. Commission systems work to ensure data harmonization, integration, and quality. Commission staff have established an agency-wide data governance group that reviews agency-wide data needs and steers data strategy.

- The CFTC is enforcing common data standards and services among the swap data repositories to ensure data interchange and interoperability. The CFTC is also establishing a unified set of master data and reference data using legal entity identifiers as a linchpin. The Commission is increasing the use of data feeds from industry and government system-based data services in order to reduce the latency between market events and staff ability to analyze correlated data from diverse sources.

- The Commission will increase analytics support to assist staff with the manipulation of large and complex data sets, data analysis, data validation, and data aggregation. The Commission will continue to build capabilities for staff to access these large and complex data sets seamlessly, regardless of the source of market data reported to the Commission or to the data repositories such as swap data repositories.

- Commission staff are proactively engaged in the developing and adopting harmonized standards for swaps data. This harmonization exercise is both international and domestic. The Commission will continue to make progress to harmonize the form, manner and content of the swaps data by engaging with standard-setters, industry and international regulatory organizations to ensure that swaps data is ever more usable in monitoring a global market.

CFTC also maintains business analytics platforms for performing data analysis. Platforms allow staff analyzing industry data to keep pace with the continuing growth in industry data volume and complexity.

The Commission must conduct market, financial, risk and economic analysis based on the most current data. Business analytics platforms empower staff to quickly evaluate data and build specific work products for unique business situations.

The Commission will continue to implement new processes and analytics focused on swaps data collection and aggregation. Currently, the Commission receives approximately 300 million data records per day from clearing organizations, exchanges, and large trading organizations. Over 50 automated processes are performed daily to gather and organize the data for use by analytical tools and applications that support surveillance, investigation and analysis efforts. The unique sources of data required to perform our mission have increased by over 150 percent since 2013; we expect continued growth in the amount of data required to understand increasingly complex markets and products. Additional efforts are required to ensure that new sources of information are of high quality, and that the Commission's systems are capable of handling large amounts of data. Investments in "Big Data" technologies will improve the Commission's ability to conduct surveillance, investigations, and economic analysis. Additional computing power is required when performing activities such as market reconstructions and simulation, complex swap valuation, risk analysis, and analyzing high frequency and algorithmic trading using large data sets. These improvements will allow staff to quickly gather subsets of enterprise data for analysis, optimize the analytics performance, and reduce extraction, transformation and loading times for very data sets.

The Commission will continue to support risk management technology by providing a platform, which allows analysts to assess the inherent risk in existing large trader positions using real time prices. Continued support of this software will enable staff to help market participants proactively mitigate portfolio risk by expanding pricing to the entirety of derivatives clearing organizations.

Statistical analysis and high-performance computing platforms will be integrated, expanded, and enhanced. Resources will be used to develop flexible dashboards to increase dynamic visibility into key sets of data, allowing surveillance staff to quickly identify key areas for investigation. Data aggregation methods will be established and refined. CFTC data storage will be expanded to handle the continuing growth of analytical data.

Impact if Not Funded at Requested Level of Resources. Lack of resources constrains the execution of the Commission's data strategy and affects the harmonization, integrity, and quality of data available to staff. Constrained resources also limit the Commission's ability to implement advanced analytical tools and data aggregation. Without improved analytical tools, the CFTC will not be able to keep pace with expanding data analysis requirements to effectively oversee expanded digital and globally-connected markets. Without sufficient resources, the Commission's ability to provide open data for public transparency will be significantly constrained.

Breakout of Surveillance Request [7]

Table 6: Breakout of Surveillance by Division

	FTE	Salaries and Expenses ($000)	IT ($000)	Total ($000)
Market Oversight	83	$21,254	$0	$21,254
Clearing and Risk	29	$7,755	$0	$7,755
Data and Technology	48	$12,039	$21,772	$33,811
Total	**160**	**$41,047**	**$21,772**	**$62,819**

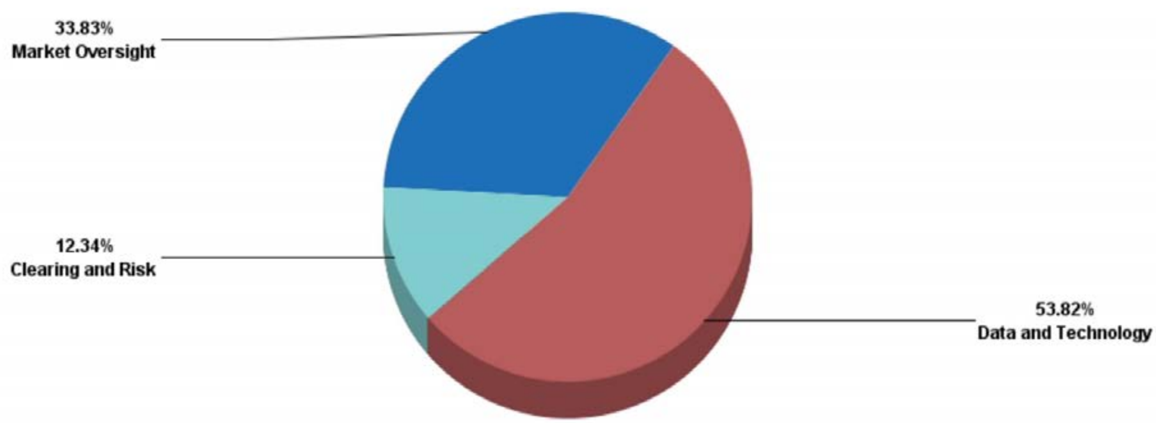


Figure 6: Surveillance Request by Division

[7] The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

Examinations

Resource Overview

	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request	Change
BUDGET	$26,385,793	$30,785,005	$34,215,919	+$3,430,914
FTE	99	115	128	+13

Mission Activity Description

Examinations are formal, structured reviews of regulated entities' operations or oversight programs to assess ongoing compliance with statutory and regulatory mandates. Regular examinations, in concert with the Commission's surveillance and other activities, are a highly effective method for ensuring that entities are complying with the CEA and Commission's regulations. This mission activity covers both direct examinations performed by Commission staff and oversight of the examinations conducted by designated self-regulatory organizations. The CEA requires examinations of market structures such as designated contract markets, derivatives clearing organizations, swap execution facilities, and swap data repositories, as well as intermediaries like futures commission merchants, commodity pool operators, commodity trading advisors, introducing brokers, swap dealers, and major swap participants. It also requires oversight of the examinations and functions performed by the self-regulatory organizations.

Justification of CFTC Request by Function

Swap Dealer and Intermediary Oversight

The Commission conducts certain direct examinations of certain registrants with respect to key issues and oversees the delegated intermediary examination activities of the self-regulatory organizations. Core missions funded through this activity include:

- *Direct Examinations*. Although direct routine examinations of intermediaries like futures commission merchants, commodity pool operators and commodity trading advisers are typically performed by NFA, the CFTC is responsible for examinations in certain areas. For example, the Commission engages in certain targeted reviews and horizontal reviews of certain activities. These reviews include examinations in certain areas, such as cybersecurity. Examinations staff are also critical during times of crisis. They help determine whether customer assets are protected, and whether an affected firm is complying with CFTC regulations, particularly with respect to capital and customer assets. In addition, the Commission is working with the other banking agencies and SEC to determine responsibilities for those entities that are part of banking organizations and subject to the Volcker Rule. Certain banking affiliates are registered as futures commission merchants and swap dealers. Some futures commission merchants and swap dealer entities are also registered as broker-dealers and subject to SEC oversight. The challenge is determining which of these registrants are within the CFTC's scope as primary regulator, and therefore subject to direct CFTC examination.

- *Monitoring*. The Commission must also engage in regular monitoring of various registrants. Audit software tools and analytical techniques are used to monitor and oversee the financial and other activities of registrants, as well as regulatory notices filed with the Commission. In FY 2017, the Commission will continue efforts to integrate data software tools and sources to include additional financial and business data points from a variety of sources to enhance the effectiveness of its reviews.

- *Self-Regulatory Organizations Oversight*. The CFTC provides oversight to designated self-regulatory organizations to determine whether they are executing their delegated examination functions in compliance with the CEA and Commission regulations. The Commission's self-regulatory organization examination reviews cover a range of areas, including business conduct, capital, margin and segregation requirements, and applicable risk management standards. The CFTC is also working closely with the NFA to establish base examinations for swap dealers and major swap participants that, while similar in many respects to the examinations of futures commission merchants, will be specifically tailored to address the requirements of these new registrants.

Impact if Not Funded at Requested Level of Resources. If examinations are not funded at the requested level, it would directly impact the Commission's ability to conduct the necessary examinations and oversee self-regulatory organizations properly. A gap in the Commission's examinations capability could, in turn, adversely affect the agency's ability to detect potential threats to customer funds and to conduct the more specialized and varied examinations (*e.g.*, cybersecurity, risk management, *etc.*).

Clearing and Risk

The Commission projects the number of derivatives clearing organizations will expand in FY 2017, as it is currently reviewing new applications. This illustrates that new market participants are entering the marketplace and clearing new business. As these numbers increase, so too will the complexity of the counterparty risk management oversight program and liquidity risk management procedures of the derivatives clearing organizations. The Examinations staff must proportionally increase its expertise in these areas in order to evaluate compliance with established regulations.

The Commission's examination expertise will need to be expanded to provide adequate manpower to examine derivatives clearing organizations' compliance with emerging risks in information security. As discussed, this is particularly the case in the area of cybersecurity, as highlighted by recent attacks aimed at the financial sector. In addition, the number of staff with this expertise will need to be increased to perform examinations of the derivatives clearing organizations' compliance with the system safeguards requirements during each examination. Examinations of derivatives clearing organizations' compliance with the core principles and implementing regulations will necessitate new automated tools to assist in the evaluation of compliance with these new regulations.

Impact if Not Funded at Requested Level of Resources. Without sufficient resources, the Commission is hampered in its ability to fulfill its derivatives clearing organization oversight responsibilities in a comprehensive and thorough a manner as would be optimal. Each derivatives clearing organization should be subject to an in-depth, targeted examination on a regular basis.

The Commission is required to examine systemically important designated contract markets at least annually as required under Section 807(a) of the Dodd-Frank Act.

Examinations of derivatives clearing organizations aid the Commission in identifying issues that may impact a derivatives clearing organization's ability to control and monitor its risks. Currently, the Commission examines two systemically important derivatives clearing organizations on an annual basis; other derivatives clearing organizations are examined based on resource availability. Insufficient resources will mean the Commission will continue to identify those derivatives clearing organizations who rank the highest on a risk assessment to examine for compliance. In addition, the Commission must determine the scope of the examination based upon the highest priority risk. If additional resources were available, additional risks would be included in the examination plan. For those derivatives clearing organizations that are not selected for an examination, the Commission will rely on reviews of derivatives clearing organization rule changes, daily risk surveillance, analysis of periodic financial reports, and derivatives clearing organization self-reporting, to identify instances of possible non-compliance.

Due to the increase in swaps business at derivatives clearing organizations, the amount of collateral on deposit is growing. For example, the four largest derivatives clearing organizations held approximately $310 billion in clearing member collateral. There is considerable public benefit from increased vigilance in this area to determine whether customer funds are handled appropriately. Additionally, newly registered derivatives clearing organizations, who are just starting to clear customer business, need to be examined for compliance with customer segregation rules promptly. For these reasons, it is important to examine the derivatives clearing organization's policies, procedures, and reconciliations regarding how the collateral of customers and clearing members are handled during all examinations. Current resource levels do not allow the Commission to measure compliance in this area as often as we would like.

If the CFTC is unable to perform an annual examination of a derivatives clearing organization, this could jeopardize the derivatives clearing organization's ability to qualify as a qualified central counterparty. If the derivatives clearing organization is not able to be a qualified central counterparty, there will be a significant increase in capital charges for bank clearing members, thus making it much more costly to do business in the United States.

All examinations determine compliance with the CEA and implementing regulations for activities performed by, and delegated to, the derivatives clearing organizations. In order for the Examination teams to be effective, staff must possess the expertise and skills to evaluate compliance with published regulations. Adequate resources to appropriately staff the examinations teams allow the CFTC to execute its oversight activities with due diligence during these examinations. For example, lack of resources could cause the CFTC to fail to meet its systemically important derivatives clearing organizations examinations responsibilities imposed by Section 807(a) of Title VIII of the Dodd-Frank Act.

Market Oversight

The Commission uses formal structured reviews of regulated entities' trade platform operations or oversight procedures as a highly effective method for ensuring that entities are complying with the core principles established in the CEA and published regulations. In the face of extensive change in the markets, the Commission must provide robust oversight and system safeguards over designated contract markets, swap execution facilities and swap data repositories. Additionally, swaps data maintained and available to regulators provides for systemic risk mitigation, transparency, and market supervision oversight. The reliability and accuracy of this data reduces systemic risk for the nation's financial sector as a whole revealing system safeguard rules, business continuity and disaster recovery procedures and adherence to various obligations, duties and core principles by the market participants. Investing in automation of procedures and data to allow integration between market and trade practice surveillance, financial and risk surveillance, examination, and enforcement activities will result in reusable data sources, improve workflow, increase information sharing, and increase the ability of staff to correlate data and events.

Impact if Not Funded at Requested Level of Resources. Without the requested funding, the number of examinations conducted will be decreased, as will the number of subject areas reviewed and the number of newly registered platforms. The Commission's ability to produce more specialized and varied market oversight tools necessary to comprehensively address systemic risks and other potential threats to the market at large will be impacted if this request is not fully funded. Without the resources to conduct system safeguard examinations and rule enforcement reviews on all tiers of designated contract markets, swap execution facilities, and swap data repositories, these examinations will lose their value as a tool for promoting effective self-regulation and market integrity. Not funding the request for this function will also delay the dissemination of regulatory interpretations and industry best practices for designated contract market, swap execution facility, and swap data repository compliance programs.

Without these resources, the Commission will not meet minimum expectations for effective oversight of cyber threats to the financial sector. By increasing the interconnectedness of the financial sector, it impacts the cybersecurity of market participants, counterparties, third party technology providers, and supply chain providers. In addition, there will be a limited capacity to maintain readily accessible, centralized, and high-quality swap data sets. In fact, the work of all the swaps data users across the agency will be impacted, resulting from reduced resources available to build data analysis tools and engines that allow regular monitoring of swap data reporting for compliance and regulatory reporting to swap data repositories. The ability to conduct oversight of swap data repository registrants through a timely review of regularly disseminated operational reports, exception reports, heat maps, and updates to reporting templates will also be affected.

Data and Technology

The Commission will leverage the CFTC Portal to standardize and improve the way in which regulated entities submit data for examinations. Additional tools will be developed to improve records management, automate processes, and improve staff ability to collaborate. For example, CFTC will leverage the Portal to provide two-way, secure electronic communication with regulated entities to support examination documentation requests and responses.

Examinations dashboards will integrate registration and review, market and trade practice surveillance, financial and risk surveillance, examination, and enforcement data. This will result in reusable data sources, improved workflow, increased re-use of information, improved situational awareness and coordination, and increased ability of staff to correlate data and events.

Impact if Not Funded at Requested Levels of Resources. Lack of sufficient resources will adversely impact the Commission's ability to develop robust automation and standardization tools. As a result, the future ability to automate the process and correlate data across the enterprise is directly impacted. The segregated data will continue to require manual coordination, which drains the Commission of additional time and resources.

Breakout of Examinations Request [8]

Table 7: Breakout of Examinations by Division

	FTE	Salaries and Expenses ($000)	IT ($000)	Total ($000)
Swap Dealer and Intermediary Oversight	56	$14,930	$0	$14,930
Clearing and Risk	47	$12,270	$0	$12,270
Market Oversight	25	$6,739	$0	$6,739
Data and Technology	0	$0	$277	$277
Total	**128**	**$33,939**	**$277**	**$34,216**

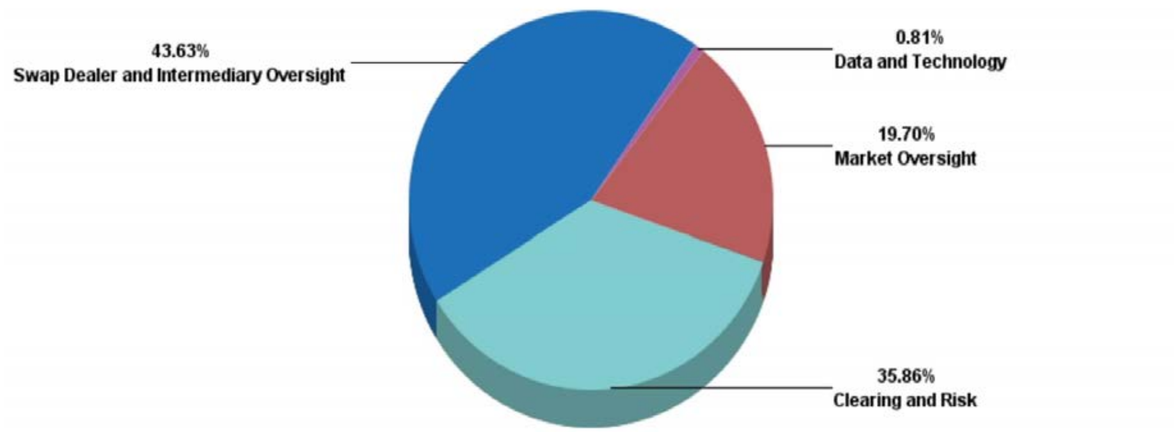


Figure 7: Examinations Request by Division

[8] The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

Registration and Compliance

Resource Overview

	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request	Change
BUDGET	$13,682,032	$14,489,039	$17,974,713	+$3,485,675
FTE	46	52	62	+10

Mission Activity Description

The Commission reviews the registration applications of all entities seeking to be registered as designated contract markets, derivatives clearing organizations, swap execution facilities and swap data repositories. Review teams comprised of attorneys, industry economists, trade practice analysts and risk analysts ensure that the Commission undertakes a thorough analysis of such applications to assess compliance with the applicable statutory core principles and Commission regulations. Important to the application process is a site visit to the applicant, enabling Commission staff to evaluate fully the operational and managerial resources that will support regulatory compliance once the applicant is registered. For swap dealers, major swap participants, futures commission merchants, and other intermediaries, where registration responsibility has been delegated to the NFA, a self-regulatory organization, the Commission provides registration regulatory guidance to the NFA and to provisional registrants. It also generally oversees the registration process. This oversight includes sample testing of NFA's application reviews and periodic targeted reviews of the self-regulatory organization registration procedures. Site visits may be required to validate needed technical and self-regulatory capabilities.

Upon completion of an entity's initial registration process, the CFTC continues to monitor the entity's activities for legal compliance and may provide policy direction and legal interpretative guidance to self-regulatory organizations and registrants on an as-needed basis. Compliance oversight includes addressing both registrant-initiated and staff-initiated activities in connection with registration issues. It also includes ongoing compliance following registration. Registrants often contact Commission staff to request interpretive guidance or no-action relief for registration purposes or ongoing compliance. Registrants also have the option to self-report compliance concerns or failures, and seek staff assistance in remediating these issues. Furthermore, CFTC staff initiates compliance oversight activities such as reviews of registrant reports, horizontal registrant inquiries on specific compliance topics, and on-site visits to observe compliance activities.

Justification of CFTC Request by Function

Swap Dealer and Intermediary Oversight

The CFTC's intermediary registrants play a vital role in the Nation's financial system by connecting customers to the global market. They include swap dealers, major swap participants, futures commission merchants, commodity pool operators, and commodity trading advisors, among others. With over $250 billion in customer funds, they serve as a cornerstone of the Commission's regulatory framework. As such, this Commission directs its registration and compliance resources to provide critical policy and regulatory guidance to market participants, both directly and in coordination with the NFA. It also uses these resources to ensure that registration rules, standards and reporting requirements keep pace with the needs of the evolving marketplace.

Core missions funded through this activity include:

- Rulemaking and Implementation. The Commission drafts new rules and rule amendments to strengthen its registration and compliance regime and, following CFTC approval, oversees effective rule implementation. Throughout this process, registrants engage CFTC staff to obtain interpretive guidance, seek no action relief for registration purposes, and/or discuss compliance matters requiring Commission guidance.

- Regulatory Guidance. Staff provides counsel and advice to other Federal and state agencies, CFTC registrants, and to the public at large with respect to intermediary issues. This legal guidance role involves an array of activities, from responding to inquiries from market participants and registrants to briefing policymakers on major registration/compliance issues.

- Legal Compliance. CFTC staff provides direct support to the international regulatory community to establish agreements on substituted compliance matters central to overseeing the global activities of the derivatives industry, implementing key aspects of the Dodd-Frank Act, and other high priority initiatives.

- Oversight/Coordination with self-regulatory organizations. The Commission provides critical legal guidance to the self-regulatory organizations to support execution of the agency's regulatory framework and to oversee delegated regulatory activities.

- Financial Data and Risk Analysis. Coordinates internally to apply new data streams generated by the swap data reporting rules, the Volcker Rule and other sources to strengthen the Commission's oversight capabilities.

Impact if Not Funded at Requested Level of Resources. The registration and compliance activities are fundamental to the Commission's mission under the CEA. They are also central to fully implementing key regulatory initiatives to include swap dealer regulation and the Volcker Rule. In coordination with NFA, CFTC has already worked collectively to register over 100 new swap dealer and major swap participant entities. In November 2015, the Commission released a Preliminary Report regarding the swap dealer *de minimis* exception to begin to assess the impacts of reducing the registration threshold for swap trading. CFTC has also initiated enhanced oversight and coordination with NFA on commodity pool operator regulatory matters by conducting additional self-regulatory organization site reviews. Inadequate funding would place these and other priority initiatives at risk and could jeopardize the agency's ability to provide industry oversight.

Market Oversight

A pivotal part of the Commission's market oversight is performing thorough reviews of the applications of all entities seeking to be registered or designated as swap execution facilities, designated contract markets or foreign boards of trade. Multi-disciplinary review teams of attorneys, industry economists, surveillance analysts, data analysts, and risk analysts are needed to ensure that the Commission undertakes a thorough analysis of such applications that complies with the applicable statutory principle and Commission regulations. In FY 2016, the Commission expects trading in swaps on swap execution facilities and designated contract markets to increase. At the same time, the Commission estimates that the number of market participants who are subject to CFTC jurisdiction will increase, as they become a member of, or trade products on, a registered designated contract market or swap execution facility for the first time. As of January 2016, eighteen swap execution facilities became fully registered. In addition, five other swap execution facilities, which are currently temporarily registered will continue full registration review. Staff are also currently analyzing two additional designated contract market applications for registration. Even after permanent registration is completed for all current SEF registration and designated contract market designation applicants, the Commission still expects to routinely receive new applications. Furthermore, in FY 2015 the number of rule certifications submitted by swap execution facilities and designated contract markets reached almost 1,400 rules. The Commission projects that the number of certifications will continue to increase.

As a result of the progress in registration within the market oversight, there will be an increase in workload for rule enforcement reviews and system safeguard examinations conducted by the compliance branch within the Division of Market Oversight. Additionally, staffing within the market review branch is required in FY 2016 and FY 2017 in order for the Commission to maintain consistency and continuity in the market in the following ways:

- Analyze rule submission for compliance with the CEA and Commissions regulations at the same pace as participant submissions.
- Increased capability to perform site visits to validate required technical and self-regulatory capabilities.
- Increased responsiveness to time sensitive questions, including requests for no-action and regulatory interpretations furnished to registrants and market participants.

In addition, Commission seeks support to enhance its ability to review applications for foreign board of trade registrations. The Commission has adopted a registration procedure for foreign boards of trade that desire to make their electronic order and trade matching systems available to members and other participants located in the U.S. through direct access for the trading of futures, options and swap contracts. As part of the registration procedure, the foreign board of trade and its clearing entity must demonstrate that they are subject to comprehensive regulation by the regulatory authorities in their home country that is comparable to the manner in which the CFTC oversees designated contract markets and derivatives clearing organizations. If the foreign boards of trade application demonstrates that it meets the regulatory standards and other applicable registration requirements, the Commission issues an Order of Registration that permits the foreign board of trade to make its trading system available for trading by direct access. To date, the Commission has issued Orders of Registration to seven foreign boards of trade. The Commission has 19 pending applications for registration under review.

Impact if Not Funded at Requested Level of Resources. Insufficient resources could compromise the ability of the Commission to oversee and ensure that the rules, operations and procedures of designated contract markets, swap execution facilities, and foreign boards of trade are compliant with Commission regulations and the CEA on an ongoing basis. Without adequate compliance oversight in this regard, the Commission cannot validate that exchanges are adequately carrying out their self-regulatory responsibilities. This shortcoming will put at risk market users and portions of the broader economy that look to those exchanges for price discovery purposes. Registration and compliance activities directly impact the protection of customers and the proper functioning of the marketplace and without adequate funding the Commission's compliance oversight activities will be limited.

Clearing and Risk

The FY 2017 request will continue to support the Commission's registration and compliance activities for derivatives clearing organizations. In addition to performing direct registration of new U.S. and foreign-based clearing organizations, the CFTC staff will perform periodic reviews to ensure compliance with the CEA's statutory requirements and the CFTC's implementing regulations, as well as any additional regulations promulgated under Title VIII of the Dodd-Frank Act.

On a day-to-day basis, derivatives clearing organizations are subject to CFTC oversight, which includes review of their rules, operations, and procedures. The CFTC also reviews daily, quarterly, annual, and event-specific reports to ensure compliance with its regulations, including financial and risk management regulations.

Much of the effort in FY 2017 will be devoted to completing the review of pending applications for derivatives clearing organization registration, as well as commencing review of new applications. The Commission also expects to be reviewing petitions for exemption from derivatives clearing organization registration for the clearing of swaps. These activities in addition to oversight of registered derivatives clearing organizations will continue to require regulatory coordination on both a domestic and cross-border basis. As additional derivatives clearing organizations are registered or exempted over the course of 2017, these coordinated efforts will necessarily increase.

Impact if Not Funded at Requested Level of Resources. With respect to derivatives clearing organization registration applications, reviews are often, and will continue to be, delayed due to limited resources. In addition, the Commission can no longer conduct comprehensive site visits (a routine part of the application process) due to budget constraints. This has become more of an issue given the expectation that most derivatives clearing organization applicants will be located in foreign countries, based on the increase in inquires received in FY 2015 and early FY 2016 from foreign entities, as well as the surge of swaps clearing being conducted in foreign countries. The inability to conduct a thorough review and analysis of a derivatives clearing organization application can undermine the efficacy of the application review process and the significance of derivatives clearing organization registration. The Commission may also have to delay processing of petitions from foreign central counterparties for exemption from derivatives clearing organization registration. These delays will limit the number of central counterparties available to U.S. persons for clearing and will frustrate the Dodd-Frank Act's goal of reducing risk to the financial system.

Data and Technology

The CFTC Portal has become a shared service between the registration and compliance and product review mission activities. It serves an increasingly important role in day-to-day operations and provides the technology interface for industry filings with the Commission. Through the Portal, participants are able to electronically file submissions directly with the Commission, which are then automatically routed to the proper systems and staff. This eliminates the need for manual transcription or hard copies.

In FY 2017, additional regulatory processes will be supported by the CFTC Portal and be fully automated and integrated with Commission systems. The Commission is planning to develop new capabilities such as the online submission and automated processing of organization registration requests and associated documentation. These additional capabilities would reduce the burden on both industry organizations and CFTC staff required in processing the requests. This online request submission capability would also improve the quality of the initial data received by applying automated validations. This would avoid costly rework and delays, thus increasing the efficiency of the small Commission staff managing these processes. As mentioned, automation is already being used to reduce staff burden and increase the efficiency with which they conduct reviews and receive information for new contracts and rule filings. Additional planned enhancements with the requested resources, such as the creation of dashboards, will improve transparency and provide enhanced process metrics.

Impact if Not Funded at Requested Level of Resources. Insufficient resources will adversely impact the Commission's ability to increase the number of electronic filings through the Portal and automate all Commission regulatory processes. A comparable level or decrease in resources will make it difficult to sustain current operations, including technology and end-user support for regulated entities submitting electronic filings, as these efforts are supported by a combination of contract and organic resources.

Breakout of Registration and Compliance Request [9]

Table 8: Breakout of Registration and Compliance by Division

	FTE	Salaries and Expenses ($000)	IT ($000)	Total ($000)
Swap Dealer and Intermediary Oversight	31	$8,271	$0	$8,271
Market Oversight	24	$6,212	$0	$6,212
Clearing and Risk	7	$1,838	$0	$1,838
Data and Technology	0	$0	$1,654	$1,654
Total	**62**	**$16,320**	**$1,654**	**$17,975**

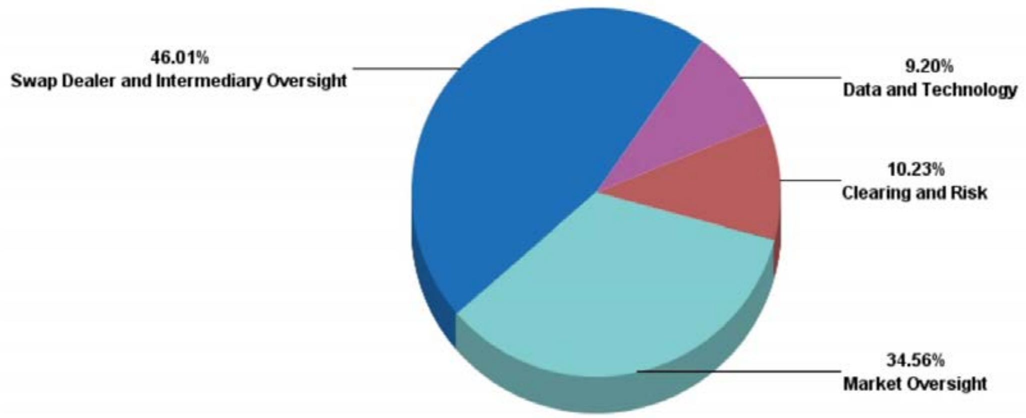


Figure 8: Registration and Compliance Request by Division

[9] The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

Product Reviews

Resource Overview

	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request	Change
BUDGET	$4,644,381	$5,500,578	$6,349,463	+$848,885
FTE	16	20	22	+2

Mission Activity Description

The Commission reviews new product filings by exchanges as well as no-action letters related to such product issues. The CFTC's scope of work includes reviewing new futures, options and swap contract filings, reviewing contract amendment submissions, reviewing foreign stock index futures, and developing new rules and policies to accommodate innovations in the industry. The focus is primarily on verifying that derivatives contracts are not readily susceptible to manipulation or other price distortions, and that contracts are subject to appropriate position limits or position accountability standards. A procedure was implemented assigning greater review priority to contracts that have achieved certain thresholds of trading volume and open interest.

CFTC staff have the responsibility to review aggregate position limits for physical commodity derivatives and establish uniform position limits and related requirements for all economically-equivalent derivatives across trading venues. Thus, in accordance with the Dodd-Frank Act, the Commission proposes rules to establish Federal position limits for specified core commodities and reviews periodically those Federal limits.

The Commission also evaluates transaction and pricing data collected by swap data repositories to determine appropriate block trade and large notional swap threshold levels that registered swap execution facilities, designated contract markets, and market participants may use to delay public reporting of swap transaction data. Market data and contract characteristics are evaluated to determine whether a swap contract should be subject to mandatory clearing and whether it is listed on a designated contract market or swap execution facility and been "made available to trade" (MAT). Transactions in contracts that are MAT must be conducted on a designated contract market or swap execution facility.

Additionally, the Commission reviews whether these new products are suitable for clearing by derivatives clearing organizations and, with respect to swap contracts, whether they should be mandated for clearing.

Justification of CFTC Request by Function

Market Oversight

The Commission reviews new product filings by exchanges as a part of product review function. During FY 2015, the Commission received 861 new product filings from designated contract markets and swap execution facilities. It was able to close out 649 reviews of product filings, many of which were carryovers of products filed in previous years. Thus, the backlog of reviews grew by at least 212 products. The proliferation of greater numbers of products by industry participants, and the inherently greater complexity of swap contracts, requires the Commission to keep pace with industry's innovations. The Commission anticipates ongoing oversight in the marketplace as new contracts are created, including analysis of swap data, the level of risk transfer, the potential movement of institutions to new financial products, and the potential for implied systemic risk.

Position Limits. The Commission anticipates that within FY 2016, it will have adopted speculative position limit rules pertaining to certain physical swap and futures contracts across designated contract markets and swap execution facilities that are linked to 28 core referenced futures contracts. In adopting position limits, the Commission will take a phased approach, generally beginning with those commodities having the largest notional value of open interest within their commodity classes. In FY 2017, additional personnel resources would be used to assist current staff with beginning the process of establishing, monitoring and reporting violations of positions limits for futures and swaps contracts that are linked to other physical commodities. Position limits will not apply to bona fide hedges.

These new rules represent new responsibilities for the Commission. Additional resources are required to perform the review of block sizes in a timely fashion.

Certifications. The Commission is responsible for reviewing certification of new futures, options and swap contract filings by designated contract markets and swap execution facilities primarily to verify that contracts are not readily susceptible to manipulation or other price distortions, and that they are subject to appropriate position limits or position accountability standards.

Over the past seven fiscal years the Commission has received the following number of contract certifications:

Fiscal Year	Derivative Clearing Organizations	Swap Execution Facilities
FY 2009	1,083	0
FY 2010	700	0
FY 2011	1,718	0
FY 2012	894	0
FY 2013	428	359
FY 2014	423	664
FY 2015	607	254

Staff conduct an initial review of each submission to ascertain whether the contract contains any terms, conditions or features that raise a first order concern that the contract may not meet a core principle requirement or otherwise not comply with CFTC rules. During FY 2015, the Commission completed reviews for 579 contracts on designated contract markets, the vast majority of which were for security futures products and 70 reviews for swap execution facilities. Staff are extremely limited given the number of contract filings that are made each year, and the tremendous backlog that has grown since Dodd-Frank was enacted.

Generally, the Commission selects contracts to review based on trading volume and open interest. In essence, the designated contract market or swap execution facility is responsible for designing contracts that meet Core Principle 3, 5, or 6. We rely further on the broader market to assess the usefulness and design acceptability of those contracts. Contracts that do not trade are typically not reviewed.

In addition, the Commission completed reviews of 154 rule amendments submitted by designated contract markets. However, it was unable to complete any for swap execution facilities due to resource limitations.

Cash Market Studies. Staff also conduct broad studies of cash markets for physical commodities to ascertain the current state of cash market practices as they relate to derivatives contracts. Such studies are used to expedite the review of newly listed contracts and support other areas of the Commission that rely on information regarding the nature of the underlying cash markets.

Contract Performance Assessments. Currently the terms and conditions of contracts are reviewed when a contract is certified for listing or submitted to the Commission for approval. With additional staff requests in FY 2017, the Commission can develop procedures to identify contracts that may require updated reviews of their terms and conditions. This would assist when the terms and conditions of a contract do not keep up with changes in the underlying cash market, potentially increasing the risk of manipulation.

Impact if Not Funded at Requested Level of Resources. Given the number of contracts filed by designated contract markets and swap execution facilities each year, if this request for additional resources is not funded, many contracts, even those with market significance, will not be reviewed in a timely manner to ensure compliance with the CEA. Lack of staffing would likely require prioritizing potential violations to consider only the most egregious violations. Market participants will bear the burden of delays, or inability to complete, reviews of new products for clearing or trading, and new margin methodologies will take longer to be evaluated. Furthermore, additional resources would be devoted to the study of cash market practices, which will allow staff to be more efficient and prompt in reviewing the terms and conditions of newly listed contracts and to assess the performance of currently traded contracts. Without such resources, the review of contracts with respect to core principle compliance will be less efficient, requiring staff to limit full reviews to higher activity contracts, potentially leaving a significant number of actively traded contracts to trade without such review.

Clearing and Risk

All registered and exempt derivatives clearing organizations are required to submit all swaps that they offer for clearing to the Commission for consideration as swaps that must be cleared. Reviewing these submissions and making clearing requirement determinations under the CEA requires significant staff time and resources.

The Commission promulgated the first rules associated with the required clearing of swaps in December 2012. The Commission anticipates ongoing product reviews during FY 2017 and beyond, as new swaps and other contracts are created in response to changing market needs.

Relying on new data from derivatives clearing organizations, swap data repositories, swap execution facilities, and other market infrastructures, the Commission anticipates that it will continue to analyze, by asset class, the percentage and volume of cleared and uncleared swaps, the level of risk transfer among market participants, the market dynamics with respect to new products, and the implied overall credit and market risk in FY 2017. This ensures that the Commission's regulations reflect an appropriate understanding of the market segments most prone to market failure. The Commission will also review data to monitor market participants, including swap dealers, for compliance with the clearing requirement and its exceptions and exemptions.

Impact if Not Funded at Requested Level of Resources. If the CFTC does not have the resources available to review product and margin methodology innovations at derivatives clearing organizations, market participants will bear the burden of products being ineligible for clearing and new improved margin methodologies taking longer to be evaluated. Market participants will see increased margin and capital charges as a result of the absence of clearing or the continued use of capital-inefficient margin methodologies. Systemic risk that might otherwise have been minimized through clearing could increase as an untended consequence.

Without sufficient resources, staff will be severely limited in their ability to review new product submissions from derivatives clearing organizations and to respond to requests for new or revised clearing requirements from derivatives clearing organizations, market participants, or foreign jurisdictions seeking to harmonize their own clearing mandates with those of the CFTC. In addition, without sufficient resources, the Commission will be unable to adequately monitor market developments with regard to cleared and uncleared swaps and other products, and to respond to requests from market participants for new regulatory exceptions and exemptions from the clearing requirement.

Data and Technology

The FY 2017 request will support current initiatives and enhance the Commission's capabilities related to products review and assessment of product-related rules, enabling the Commission to address problems that it has been unable to resolve due to limited funding.

Impact if Not Funded at Requested Level of Resources. The Commission continues to see a significant increase in the number of contracts filed by designated contract markets and swap execution facilities. If this request is not funded, the Commission will not be able to fully automate all product submissions and the review process. Therefore, many contracts, even those that exhibit market significance, will not be reviewed in a timely manner. Moreover, the Commission will be unable to fulfill its responsibilities to establish appropriate position limits for certain physical commodities, determine appropriate large notional/block sizes for swaps, or properly evaluate whether certain swaps should be subject to mandatory clearing on a derivatives clearing organization and mandatory trading on a designated contract market or SEF.

To the extent that resources are unavailable to review product innovations and their related impact on margin methodology at derivatives clearing organizations, market participants will be adversely impacted by delays or the inability to complete reviews of new products for clearing or trading. Moreover, new margin methodologies will take longer to be evaluated.

Breakout of Product Reviews Request [10]

Table 9: Breakout of Product Reviews by Division

	FTE	Salaries and Expenses ($000)	IT ($000)	Total ($000)
Market Oversight	16	$4,107	$0	$4,107
Clearing and Risk	6	$1,691	$0	$1,691
Data and Technology	0	$0	$551	$551
Total	**22**	**$5,798**	**$551**	**$6,349**

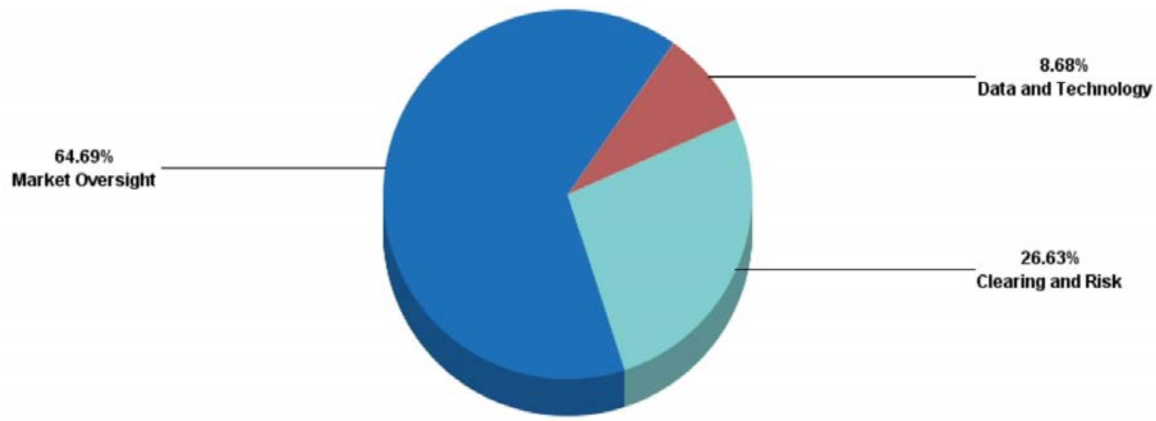


Figure 9: Product Reviews Request by Division

[10] The Commission considers the Salary and Expenses, Information Technology, and Office of Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

Data and Technology Support

Resource Overview

	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request	Change
BUDGET	$40,873,928	$44,004,446	$61,135,809	+$17,131,363
FTE	49	49	60	+11

Mission Activity Description

Information technology costs, including IT investments (*e.g.*, hardware, software, and contractor services), FTE, and indirect costs, are directly attributed to the benefiting mission activity wherever possible. Any IT costs that are not directly attributed to another mission activity are captured in the Data and Technology Support mission activity as described below. A full breakout of the Commission's IT Portfolio, which includes IT costs relating to other mission activities, is located in Appendix 2.

The Commission's IT program uses a service-oriented approach to provide technology infrastructure and services. It allows staff Commission-wide to work effectively and increase the integration of data and technology into the Commission operating model. The Office of Data and Technology ensures that Commission staff have secure and appropriate access to highly available communication, processing, and storage infrastructure capabilities. The Commission supports the following priorities:

- Providing available, flexible, reliable, scalable, and high performance infrastructure and base services. The CFTC IT infrastructure includes hardware, software and telecommunication equipment, as well as base services that empower staff to fulfill the CFTC mission. The Commission will scale and enhance communication, processing, storage, and platform infrastructure to meet mission requirements.

- Facilitating data understanding and ingestion. Because CFTC has a unique imperative to aggregate various types of data from multiple industry sources across multiple market segments both domestic and international, data access, data transfer, data ingest, data warehousing, data standards, and data quality activities are essential.

- Providing CFTC market, financial, legal, and economic analysts with the ability to rapidly adjust their analytic activities and approaches. Staff must be provided with platforms and tools that enable them to innovatively analyze data while minimizing time, process, and resource constraints.

- Offering automation services and solutions that address and support a diversity of roles and activities and increase data re-use across the Commission. Enterprise-wide solutions are preferable to narrowly focused systems and allow CFTC to leverage limited resources.

Justification of CFTC Request by Function

Data and Technology

As the focus of the CFTC has shifted to the implementation of the Dodd Frank Act, data infrastructure and technology must support additional data ingest, management, and automated processes.

The FY 2017 request supports the Commission's activities related to the support of its data infrastructure. This includes technology refreshment in key areas, several new initiatives, support for staff in identifying and meeting new requirements, and the ability to recover from previously low funding levels. This is a sustainable level that also supports improvements to the current mission and management objectives.

Commission staff will be provided with IT infrastructure that is available and expandable enough to keep pace with the ever-increasing demands on processing and storage. The hardware, software, and other components that provide communications, processing, and storage will be updated to maintain acceptable performance and provide cost-effective and secure operation and scalability. The Commission continues to enhance productivity and mobility products and services for staff. After-hours technical support will be increased, to improve the productivity of investigators, auditors, and international affairs staff by ensuring availability of portal support, anytime and anywhere.

The Commission's FY 2017 request includes funding to fully deploy a National Archives and Records Administration (NARA)-compliant electronic record and document management system that will improve information management and security, support process automation, improve internal controls, and improve staff productivity. In addition, the IT program will embed division-specific information management support to leverage the new electronic records system.

The Commission must protect the sensitive information assets it uses to oversee derivatives markets. Participation in the U.S. Department of Homeland Security Continuous Diagnostics and Mitigation (CDM) program started in FY 2015 will continue into FY 2017. The Commission will upgrade cybersecurity sensors, implement additional shared services for cybersecurity monitoring, and deploy integrated cybersecurity risk dashboards. In addition to participating in CDM, the Commission will increase investment in cybersecurity in order to sustain its ability to secure new systems and services and increase resources for monitoring for advanced persistent threats and responding to incidents.

The Commission will increase its use of automated products and services from the shared-service provider, National Finance Center (NFC), in order to automate administrative and procurement processes. This will also improve the consistency and availability of financial, and real-time human resource information. And it will allow financial and human resources staff to become more efficient and effectively manage the Commission resources.

Impact if Not Funded at Requested Level of Resources. If the Commission does not receive funding requested, or if it remains at baseline funding for another year, it will not be able to use technology to expand the scope and depth of its oversight. The Commission will not deploy mission systems that analyze orders and trades for trade practice violations. More comprehensive financial and systemic risk modelling tools will not be implemented. The Commission will be unable to upgrade enforcement forensics and litigation tools to enhance the capabilities of lawyers and investigators. Straight-through processing for all regulatory processes will not be completed. Analytics platforms and tools will not be enhanced and more support staff to help them use those platforms and tools more effectively will not be provided. Only very critical infrastructure technology refreshments will be accomplished, and staff productivity may be degraded. Ongoing investments in cybersecurity technology will be reduced. Improvements will be curtailed for data management processes that are necessary to allow proactive and strategic management of the influx of new data to the Commission. Planned automation affecting regulatory efforts, industry participants and other business processes will also be curtailed. There will be no enhancements to position limits monitoring systems. The use of high-performance computing platforms for data analytics will not be expanded. The iterative, agile development of enhancements to market, financial, and intermediary oversight systems and services will be severely curtailed. Without sufficient funding, the Commission will not be able to keep pace with the growth of new data, expanded mission requirements, or industry-related technological and data innovations that affect CFTC regulatory functions and ultimately the market.

The Commission will be unable to fulfill on its highest priority mission support activities. Expertise in organizational and operational management, financial management, and human resources are needed at the requested levels in order for the agency to provide the systems, data protections, performance management and analysis needed to keep pace with the technology-driven innovative environment it is charged with overseeing and regulating.

Breakout of Data and Technology Request [11]

Table 10: Breakout of Data and Technology Support by Division

	FTE	Salaries and Expenses ($000)	IT ($000)	Total ($000)
Data and Technology	60	$15,049	$46,087	$61,136
Total	**60**	**$15,049**	**$46,087**	**$61,136**

[11] The Commission considers the Salary and Expenses, Information Technology, and Office of Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

Economic and Legal Analysis

Resource Overview

	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request	Change
BUDGET	$22,475,093	$25,227,217	$31,422,936	+$6,195,718
FTE	75	85	103	+18

Mission Activity Description

The legal activities of the Commission include: 1) regulatory issues; 2) engaging in defensive, appellate, and *amicus curiae* litigation; 3) providing general legal advice and support; 4) assisting the Commission in the performance of its adjudicatory functions; and 5) providing advice on legislative and other intergovernmental affairs issues. In addition to providing support on new and evolving issues, the Commission is responsible for providing ongoing analysis under government ethics, personnel, procurement, and recordkeeping rules and under statutes such as the Federal Government in the Sunshine Act, Federal Advisory Committee Act (FECA), Federal Information Security Management Act (FISMA), the Freedom of Information Act (FOIA), and other statutes applicable to the Commission.

Economic analysis is critical in supporting the regulatory activities in a wide range of areas, including:

- Economic and quantitative analysis, including cost-benefit considerations utilized in designing and implementing the Commission's rulemaking;
- Determining the requirements for reporting and data rules;
- Analyzing the quality, integrity, and usefulness of the market data reported to the Commission;
- Developing analytical tools and methods in support of the Commission's automated surveillance initiatives, especially as they pertain to swap execution facilities and the connections between swap execution facilities and designated contract markets;
- Determining whether certain products/contracts are eligible for clearing and the levels for capital and margin;
- Providing the technical expertise to evaluate and report on risk models, stress tests, and other stability-related evaluations necessary for oversight; and
- Developing analytical tools and methods in support of the Commission's enforcement activities, including economic and statistical analysis or expert testimony to promote compliance with and deter violations of the CEA.

The Commission supports a focused research group that analyzes innovations in trading technology, developments in trading instruments, and market structure, and interactions of various market participants in the futures and swaps markets. These specialized economists collaborate with staff across the Commission's divisions and offices. The Commission also publishes various periodic reports including the Commitment of Traders Report, and the weekly, semi-annual and annual Swaps Reports.

Justification of CFTC Request by Function

General Counsel

The Commission must ensure that it is consistent in its interpretation and application of the CEA. Reviews must be conducted for legal sufficiency and administrative regularity of proposed and final rules, enforcement and regulatory actions, and various forms of staff action.

The Commission must also interpret and apply the requirements of a variety of government-wide statutes, such as the FACA, the FISMA, and the FOIA. Reviews of domestic and international memoranda of understanding and other agreements are increasing as the Commission looks to enhance inter-agency and international cooperation and coordination, and assure that Commission information is protected appropriately and consistently with the CEA. Commission leadership requires assurances of the legal sufficiency of the Commission's actions concerning personnel laws, procurement laws and regulations, Federal records requirements, and other applicable laws.

The Commission must have adequate representation when required to appear in the U.S. courts of appeals, U.S. district courts and other administrative proceedings in challenges to the Commission's regulations, appeals in enforcement actions and other matters including bankruptcy, personnel litigation, labor disputes, and FOIA.

Impact if Not Funded at Requested Level of Resources. If not funded, the Commission will struggle to meet an ever-increasing workload as it continues to grow in responsibilities. Commission staff are already handling two areas of increased workload:

- A major increase in labor relations matters with the arrival of the union at the Commission. The Commission must be capable of supporting an influx of labor work including unfair labor practice claims; and

- An increase in enforcement-related work, including appeals, which has arisen as the Commission is employing its increased authority under the Dodd-Frank Act.

Without the funding requested, it will be more difficult to execute its current workload and efficiently address new matters. In particular, level-funding will likely hamper the Commission's ability to improve its response time. In addition, as the Commission continues to implement its new regulatory structure and authority, an increased advisory workload and additional legal challenges are expected. All of these important functions would be compromised by not funding this request.

Chief Economist

This request seeks to address the multitude of economic and data analyses requirements necessary for the Commission to effectively carry out its mission in this arena. The Commission needs additional resources to provide insightful economic analysis on the broad range of issues required to support the Commission's responsibilities and requested as part of congressional inquiries. The focus up to this point in time has been mainly on considering the costs and benefits of Commission's rules, maintaining the production of the Weekly Swaps Reports (limited to rates and credit only), and producing required research reports. Dodd-Frank Act-related rules now provide the Commission with access to data from the swaps markets. The expectation of the Commission, members of Congress, and the public is that the Commission will leverage this data to improve its understanding of these markets, inform policy and rulemaking, and monitor risks to the various aspects of the derivatives markets. The Commission economists play a key role in fulfilling these expectations. Many of these markets, especially the commodity swaps markets, are highly complex. Lacking adequate staffing with requisite experience and knowledge in the subject matter means they are analyzed in a highly *ad hoc* manner.

At the requested level, the capacity to perform robust, quantitative, economic analyses of data from both the futures and swaps markets will be possible. Additional support will be devoted to developing the analytical capability to integrate activity across these markets, and between cleared and uncleared swaps, and among the different categories of market participants.

Providing this level of funding will allow the Commission to collaborate with academia and experts from other regulatory agencies in a meaningful manner. This in turn will help produce cutting edge research into critical issues in the derivatives markets.

Impact if Not Funded at Requested Level of Resources. Without the requested additional resources, the Commission will continue to address *ad hoc* research requests but will not be able to develop tools to analyze the regulatory environment or invest in building a comprehensive research agenda. Without the requested funding, analysis and production of insightful reports on swaps and futures markets will be limited or deferred. This includes enhancing the Weekly Swaps Report to include all asset classes, producing reports on liquidity metrics, and participant classification for futures and swaps.

Swap Dealer and Intermediary Oversight

The activity funds mission critical legal support for swap dealer and intermediary oversight programs to include the following:

- Providing draft rulemakings, interpretations, and opines on questions of statutory and regulatory authority relevant to market intermediaries and legal advice for all substantive Commission actions relevant to intermediaries, including registration and futures association rule submission review, regulations, and exemptions.

- Drafting and administering the applicable capital, margin, segregation and financial reporting requirements for market intermediaries and swap dealers and major swap participants. This includes drafting related rulemakings, no-action letters, interpretations and exemptions.

- Responding to less formal requests for guidance received from market participants and the public.

- Coordinating capital, margin, and financial reporting requirements with the SEC and Prudential Regulators regarding swap dealers and major swap participants.

- The activity also funds mission critical examinations and oversight as previously described in the document.

Impact if Not Funded at Requested Level of Resources. The Commission continues to rely heavily on its legal, examinations, and regulatory function given the significant increase in registered entities since the passage of the Dodd-Frank Act (*e.g.*, swap dealers, commodity pool operators, *etc.*). Without the requested resources, the Commission would need to prioritize open issues, which would result in either an inability to respond or substantial delays in addressing a full range of market participant questions and requests for no-action, exemptive or interpretive relief. It would further impact its examinations capabilities as described earlier in the document. The capacity to develop and propose rulemakings to address priority and emerging regulatory matters as well as examinations and oversight of examinations would also be impacted at a particularly critical juncture in the implementation of the swap dealer oversight in accordance with the Dodd-Frank Act.

Market Oversight

The Commission develops, interprets and applies rulemakings and other legal requirements on a variety of government-wide statutes to assure the legal sufficiency of all Commission actions. This inc It also drafts and reviews domestic and international memoranda of understanding and other agreements as discussed previously in the document. Currently the increased level and complexity of market activity requires more inter-agency cooperation to analyze emerging risks, as well as increased international cooperation with foreign regulators and multilateral regulatory groups. These increases affect work significantly and create the need for increased resources. Rulemakings being contemplated for 2016 include, for example: 1) refinements to SEF regulations; 2) system safeguard requirements for designated contract markets and swap execution facilities, 3) position limits and related requirements for all economically-equivalent derivatives across trading venues; 4) revisions to the existing MAT process for swaps; 5) modifications to fine-tune Part 43, 45 and 49 regulations for swap reporting data standards; 6) automated trading; and, 7) new regulations to exempt non-U.S. swap execution facilities from full swap execution facility registration.

Impact if Not Funded at Requested Level of Resources. Without requested funding, the Commission generally would not be able to ensure that its market regulatory scheme remains adequate to address ongoing market developments. It would impact the thoroughness, speed and quality of several outstanding rulemakings. Inadequate resources also would make it harder for the Commission to move forward with currently pending rulemakings to enhance cybersecurity protections or deal with the risks that automated trading may pose, for example. It would also limit the Commission's ability to respond to the concerns of market participants, such as requests for changes to rules, interpretation or guidance on product and rule submissions, registration approval requests, and requests for relief through exemptive orders and staff no-action letters.

In addition, limited resources would constrain the Commission's ability to revisit various Dodd-Frank-initiated rulemakings to fine-tune them. This includes, for example, efforts to ensure they are achieving their objectives without creating undue burdens, particularly for commercial end-users. Rules include those pertaining to swap execution facilities, swap data repositories, and real-time reporting of swaps. Inability to fine-tune rules or respond to market concerns is costly to market participants, as they must deal with the issue of either complying with ambiguous and inefficient rules or not engaging in certain activities because of legal uncertainties. In either case, the robustness of derivatives trading on regulated markets would suffer.

Clearing and Risk

The FY 2017 request for resources will allow the Commission to remain focused on ensuring regulations and standards governing derivatives clearing organizations appropriately minimize systemic risk, promote rigorous risk management, avoid duplicative and conflicting regulation of derivatives clearing organizations and market participants, and prevent gaps in regulation. Additionally, this allows simultaneous support of registration and continuing compliance oversight concerning the intersection of clearing, settlement, margining, and bankruptcy.

Impact if Not Funded at Requested Level of Resources. If not funded at the requested level, the Commission may not be able to fulfill its statutory obligations to minimize systemic risk and promote rigorous risk management, safety, and soundness as a Supervisory Agency under Title VIII of the Dodd-Frank Act.

Enforcement

The FY 2017 request will support and expand the Commission's activities related to economic and legal analysis in support of enforcement activities.

As innovation in the futures and swaps market continues, the ability of the Commission to conduct thorough economic and legal analysis of manipulation, disruptive trading and other unlawful trade-based conduct with the limited resources is increasingly challenging. With the requested level of resources, the Commission will be able to effectively evaluate and advise whether trading activity is manipulative, disruptive or otherwise unlawful in violation of the CEA and Commission regulations. The Commission anticipates that a large number of the new cases will require more economic data collection, legal analysis and interpretation of data to identify suspicious activities, patterns or trends through various databases, surveillance systems or other sources. The growth in the number of products we investigate requires complex analysis and research to ascertain if the activity or conduct warrants further investigation and/or prosecution by the Commission.

Impact if Not Funded at Requested Level of Resources. If the Commission does not receive the requested level of resources it will not be able to perform the economic and legal analysis of the financial market products, trading and instruments necessary to meet our obligations to investigate and prosecute wrongdoing in the markets the CFTC regulates. Adequate resources are critical to the Commission's ability to respond appropriately and timely to market events that might be caused by unlawful trading, such as manipulation or disruptive trading. The Commission anticipates that the proliferation of economically-equivalent instruments trading in multiple trading venues will continue to trend upwards. Algorithmic and high-frequency trading are norms in the market now and bring with them increased complexity in trading and impact on the markets. Without adequate and sustained resources, the Commission cannot expeditiously conduct the economic and legal analysis necessary to ensure the Commission meets its mandate to police the markets and ensure the integrity of the markets and protection of customers. The Commission's ability to keep its regulatory policies in line with the new developments in the industry also will be undermined, which could impede innovation, lead to systemic risk in the financial markets, and adversely affect the economic functioning of the markets.

In addition to performing the complex analysis, the Commission's lack of sufficient resources to manage and parse through the huge amounts of trade data at the macro and micro level (both transaction data and order book data) is increasingly inhibiting the Commission's ability to move forward on new investigations while performing economic and legal analysis on the current matters that are nearing the conclusion of the investigation or are in litigation.

Data and Technology

The FY 2017 request will support current IT service components for legal activities such as, general counsel litigation, general law, proceedings and adjudication, ethics and records management. They will also support economic analysis activities for data acquisition and the creation of data analytics tools.

Impact if Not Funded at Requested Level of Resources. Without sufficient resources, business process automation will be limited and analytic support will be adversely impacted.

Breakout of Economic and Legal Analysis Request [12]

Table 11: Breakout of Economic and Legal Analysis by Division

	FTE	Salaries and Expenses ($000)	IT ($000)	Total ($000)
General Counsel	58	$17,295	$0	$17,295
Chief Economist	18	$5,334	$0	$5,334
Swap Dealer and Intermediary Oversight	12	$3,199	$0	$3,199
Market Oversight	5	$1,301	$0	$1,301
Clearing and Risk	3	$787	$0	$787
Enforcement	7	$2,171	$0	$2,171
Data and Technology	0	$0	$1,336	$1,336
Total	**103**	**$30,087**	**$1,336**	**$31,423**

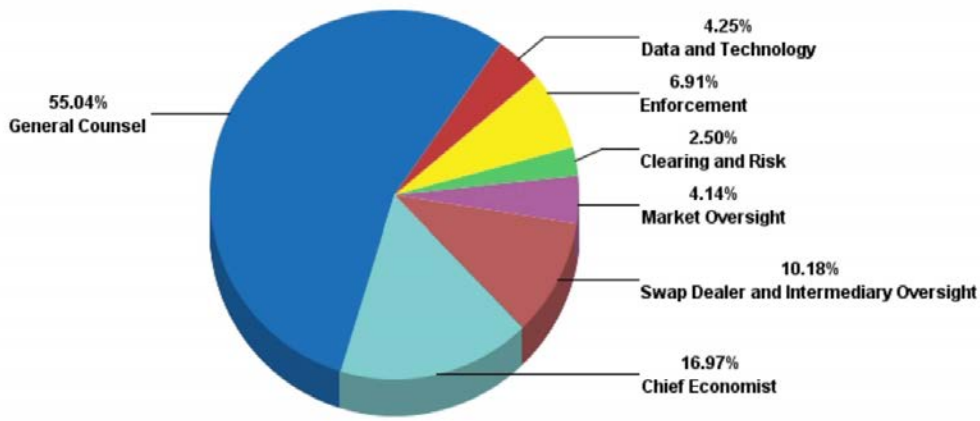


Figure 10: Economic and Legal Analysis Request by Division

[12] The Commission considers the Salary and Expenses, Information Technology, and Office of Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

International Policy

Resource Overview

	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request	Change
BUDGET	$3,940,891	$4,174,562	$5,226,156	+$1,051,594
FTE	13	13	18	+5

Mission Activity Description

The global nature of the futures and swaps markets makes it imperative that the United States consult and coordinate with international authorities. The Commission is actively engaged internationally to avoid conflicting requirements and to enhance in international cooperative efforts wherever possible. For example, the Commission has engaged in bilateral discussions regarding draft rule proposals or amendments to rules with international regulators and authorities, including the European Commission, the European Central Bank, the Bank of England, the European Securities and Markets Authority, and the Japanese Financial Services Agency.

The Commission participates in numerous international working groups regarding derivatives, including numerous IOSCO committees and task forces, as well as projects with the Basel Committee on Banking Supervision, the Committee on Payments and Market Infrastructures, and the Financial Stability Board. Over the past four years, the CFTC, SEC, European Commission, European Securities Market Authority, and market regulators from around the globe have been meeting to discuss and resolve issues related to financial reform through various technical working groups.

The Commission also is consulting with many other jurisdictions such as Australia, Hong Kong, Singapore, Japan, Switzerland, and Canada. Discussions have focused on the details of the Dodd-Frank Act and implementing rules, including mandatory clearing, mandatory trade execution, reporting swap transactions to trade repositories, and regulation of swap dealers and derivatives market intermediaries. The Commission's international outreach efforts directly support global consistency in the oversight of the derivatives markets.

In addition, the Commission has been engaged in ongoing international work and policy coordination in the development of data and reporting standards under Dodd-Frank Act rules. Data standards and common identifiers provide easier, less expensive data sharing and transfer by providing regulators and diverse industry participants with consistent terms, format, and quality measures. Legal entity identifiers (LEIs) are part of a unique identification system for parties to financial transactions. LEIs are being adopted by financial markets globally and will allow regulators to cost-effectively determine the controlling and benefitting party to every derivatives transaction. Unique product identifiers (UPIs) for standardized derivatives and unique transaction identifiers (UTIs) will allow regulators to cost-effectively determine the characteristics of most derivatives transactions.

Finally, the Commission has entered into and is negotiating cooperative supervisory arrangements for regulated cross-border entities and market participants.

Justification of CFTC Request by Function

International Affairs

The FY 2017 request will allow CFTC to consult and coordinate more effectively with international authorities. The global nature of the futures and swaps markets makes it imperative that the United States engage foreign regulators and international standards setting bodies to promote high-quality derivatives regulation worldwide.

The FY 2017 budget reflects the Commission's continued outreach with authorities responsible for the regulation of derivatives markets in major jurisdictions, to support the adoption and enforcement of consistent standards in and across jurisdictions that are in line with the G-20 Leaders' commitments.

The Commission will continue its active engagement with international regulators to work toward consistent regulatory requirements imposed on derivatives clearing organizations. The importance of central clearing to the derivatives markets makes it critical that the Commission ensures the strength and resiliency of clearinghouses. The Commission will continue to coordinate meetings with EU authorities, as well as with other foreign regulators (*e.g.*, Australia, Canada, Hong Kong, Japan, and Singapore) for similar purposes.

The CFTC will increase its efforts to work toward consistent trading platforms rules with those of Europe. In late 2015, the European Securities and Markets Authority (ESMA) published regulatory technical standards and implementing technical standards to put into effect the EU Markets in Financial Instruments Regulation (MiFIR) and Markets in Financial Instruments Directive II (MiFID II). The CFTC will work with EU authorities to minimize differences, to the extent necessary, between EU trading venues and U.S. swap execution facilities and designated contract markets prior to the effective date of the EU regime in early 2018.

The Commission is committed to taking a strong role in international fora and standard-setting bodies. In 2016, the Commission is chair of the over-the-counter Derivatives Regulators Group (ODRG), which is made up of authorities with responsibility for the regulation of over-the-counter derivatives markets in Australia, Brazil, the European Union, Hong Kong, Japan, Ontario, Quebec, Singapore, Switzerland, and the United States. Consistent with a request from the G-20 Leaders, the CFTC and other ODRG members have been working on practical aspects of deference in the area of central counterparties, by drawing out themes and identifying approaches. The ODRG is working on monitoring of substituted compliance and equivalence assessments and is looking at furthering its co-operation on the clearing obligation mandate, among other issues. The ODRG's work program will continue in 2017, and the CFTC is expected to continue to play a major role in that effort.

The CFTC will participate in the Financial Stability Board (FSB) Resolution Steering Group (ReSG), and the work of the FMI Cross-Border Crisis Management Group. The FSB ReSG will continue its work on central counterparty resolution regimes and resolution planning in FSB member jurisdictions (including the United States). In addition, the Commission will continue to participate in an international study group created in 2015 to identify, quantify and analyze interdependencies between central counterparties, major clearing members, and other significant participants in the financial system, and any resulting systemic implications. The study group will map key interconnections between these market participants in the financial system globally—both in terms of memberships and multiple service provisions (such as reliance on particular banks for lines of credit, *etc.*).

The CFTC also will participate in the FSB working group that is proposing the global governance framework for the UTI and UPI.

The CFTC is a member of the Board of the IOSCO and is co-chair of the IOSCO Committee on Commodity Derivatives Markets (Committee 7). As co-chair of the IOSCO Task Force on over-the-counter derivatives, the Commission will continue to work on international initiatives in the CDS market including research of information regarding the functioning of the ISDA Credit Determinations Committee and CDS auction processes. The Commission will also participate in a newly created IOSCO Task Force on Market Conduct which is collecting information on the regulatory tools IOSCO members have to regulate conduct in the wholesale Fixed Income, Currency and Commodities (FICC) markets. In addition, the CFTC remains committed to its participation in IOSCO's Task Force on Financial Benchmarks, as well as various IOSCO policy committees. These include the Assessment Committee, the Committee on Regulation of Secondary Markets, the Committee on Regulation of Intermediaries, the Committee on Enforcement and the Exchange of Information and the Multilateral Memorandum of Understanding Screening Group, the Committee on Emerging Risks, the Committee on Investor Protection, and the Inter-American Regional Committee. All of these activities relate collectively to the development of standards of best practices and guidance in derivatives regulation.

The Commission expects to continue its co-leadership role on the Committee on Payments and Market Infrastructure (CPMI-IOSCO) Policy Standing Group (PSG). The PSG is expected to develop guidance on the building blocks for increased central counterparty resiliency, in particular, stress testing, margin, recovery, the adequacy of financial resource standards, and "skin-in-the-game." The CPMI-IOSCO Implementation Monitoring Standing Group (IMSG) (in which the Commission also participates) will continue its assessment of 10 globally and regionally active central counterparties of the implementation of the risk management standards under the CPMI-IOSCO Principles for Financial Market Infrastructures. The Commission also anticipates the PSG, in coordination with the IMSG, will assess the need for, and develop, guidance on these issues. The CFTC will continue to coordinate with foreign regulatory authorities to evaluate compliance with the CPMI-IOSCO Principles for Financial Market Infrastructures.

With respect to data reporting issues, CFTC staff will continue to lead the efforts of the CPMI and IOSCO regarding the potential global aggregation of over-the-counter derivatives trade repository data by continuing to co-chair the CPMI-IOSCO Working Group for harmonization of key over-the-counter derivatives data elements with staff of the European Central Bank.

The CFTC will continue to participate in U.S. Treasury-organized financial regulatory dialogues with Europe, China, India, Canada, and Mexico, other FSB projects, and multilateral initiatives as they arise.

CFTC will continue its work with the Financial Stability Oversight Council's Designations Committee to monitor both designated financial market infrastructures (for continued systemic importance) and non-designated financial market utilities (to consider them for designation).

The Commission will coordinate supervision of global entities with foreign authorities and negotiate cooperative arrangements regarding the supervision of regulated cross-border entities and market participants. The CFTC will continue to plan and coordinate the Commission's annual trading seminar for foreign market authorities, the Commission's annual hosting of an international conference for foreign regulators, visits to the Commission requested by foreign regulators, and technical assistance to foreign market authorities on a staff-available basis.

Impact if Not Funded at Requested Level of Resources. The failure to provide requested resources will diminish the Commission's ability to ensure that its regulatory policies are consistent with the 2009 G-20 Leaders' commitments to reform the global swaps market. Central clearing and the regulation of clearinghouses will be a critical focus of regulators all over the world for the next several years. The CFTC must continue its important role in the global regulation of clearinghouses involving a mix of global authorities: market regulators, prudential regulators, and central banks. As Europe begins to plan for implementation of its important post-crisis regimes in 2018, the CFTC must understand the differences in its respective rules on swaps trading and look at ways to harmonize rules and achieve appropriate regulatory deference. Harmonization of clearing and trading regimes worldwide is essential to ensure consistent high levels of global regulation, as well as access by U.S. trading platforms and clearing organizations to foreign jurisdictions. Although some of this work can be achieved through electronic communication, in many instances it is critical that CFTC staff attend in-person meetings to advocate for its policy positions. Accordingly, the CFTC must have the funds to ensure its ability to participate in the crucial cross-border dialogues and resolve regulatory differences in a cooperative manner. Any reduction in resources would require the Commission to reduce its global presence, thereby eliminating opportunities to advocate for harmonization of international regulatory policies, and to resolve potentially conflicting rules.

Clearing and Risk

Within the limited capability, this request will allow the division to continue to support the Commission's participation in the international bodies setting standards for central counterparties. The additional funding requested will enable greater participation in the key international groups.

Commission staff actively participate in, and in some cases lead, international groups such as CPMI-IOSCO and the Financial Stability Board's Resolution Steering Group.

Impact if Not Funded at Requested Level of Resources. If not funded at the requested level, the Commission would need to cease or drastically reduce participation in these key international groups, which increases the risk that conflicting, ineffective, or unduly burdensome standards will be established. Such standards may have significant negative effects on, among other things, the competiveness of U.S. derivatives clearing organizations.

Enforcement

Foreign regulatory authorities are increasingly requesting support in their enforcement cases, and the Commission's need for assistance from foreign regulatory authorities for its own investigations has similarly increased. The Commission is requesting resources to ensure prompt, well-reasoned and accurate responses are provided to foreign regulatory authorities, as well as to ensure that the Commission is able to adequately pursue information located abroad that is relevant to its own enforcement investigations. Also, because the complexity of international requests are commensurate with the increasing complexity of the investigations that they support, the process of responding to such requests is more time-consuming than it was previously.

Impact if Not Funded at Requested Level of Resources. If the Commission does not receive the requested level of resources, the result will negatively impact the Commission's ability to properly pursue information located abroad in connection with its enforcement investigations. The increasingly cross-border nature of enforcement cases means that the Commission increasingly requires evidence and testimony located in foreign jurisdictions, which must be obtained either in person, by formal arrangements (such as the IOSCO Multilateral Memorandum of Understanding, other memorandum of understanding or mutual legal assistance treaties), or informal arrangements. Inadequate resources will also inhibit the Commission from providing timely, adequate responses to international requests for assistance from foreign regulatory authorities in keeping with the Commission's obligations to provide reciprocal assistance under its formal and informal arrangements. This, in turn, could impact the assistance the Commission is able to obtain from foreign regulatory authorities. The additional resources are needed for investigations and litigations to meet the increased demand for coordination between domestic and international civil and criminal authorities. Moreover, without resources requested, the Commission will be unable to undertake measures to ensure that it maintains high visibility and engagement on cross-border enforcement issues within the international community and a leading role in the development of international financial policy affecting the derivatives markets.

Agency Direction

Of the funding allocated to this mission activity, $25,000 is used to support international meetings as prescribed in the Commission's appropriation language.

Breakout of International Policy Request [13]

Table 12: Breakout of International Policy by Division

	FTE	Salaries and Expenses ($000)	IT ($000)	Total ($000)
International Affairs	12	$3,509	$0	$3,509
Clearing and Risk	3	$797	$0	$797
Agency Direction	0	$25	$0	$25
Enforcement	3	$895	$0	$895
Total	**18**	**$5,226**	**$0**	**$5,226**

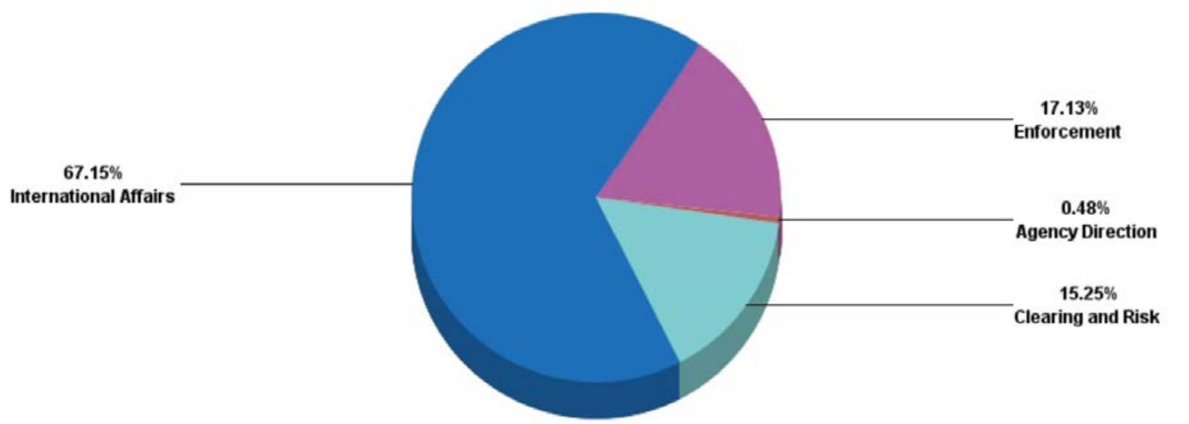


Figure 11: International Policy Request by Division

[13] The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

Agency Direction and Management

Resource Overview

	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request	Change
BUDGET	$41,968,329	$35,495,347	$42,135,413	+$6,640,066
FTE	119	115	132	+17

Mission Activity Description

The Commission's ability to achieve its mission is driven by well-informed and reasoned executive direction, strong and focused management, and an efficiently-resourced, dedicated, and productive workforce. This is a top-to-bottom requirement. To ensure the Commission's continued success, continuity of operations, and adaptation to the ever-changing markets it regulates, it must empower strong, enterprise-focused leaders; maintain a high-performing, diverse and engaged workforce; promote transparent and clear communication; and develop, train and equip leaders at all levels of the organization. The Commission must manage its resources effectively through effective internal controls, governance and planning processes, and ensure its workforce has the leadership, knowledge, data and technology, and other tools to work effectively.

The Commission is committed to operationalizing its expanded regulatory scope and to maintaining its strong presence in its traditional markets. This requires unambiguous and timely direction, and the right quantity and quality of staff, aligned in an optimal operating structure supported by the necessary training, development, tools, resources and working environment.

The Commission utilized shared services provided by other agencies for its financial management and human resources systems, as well as services provided by commercial providers to many Federal agencies (*e.g.*, travel and hiring systems). The Commission also maintains administrative services that are unique to the Commission (*e.g.*, performance management, pay adjustment, and ethics compliance). To reduce data redundancy, rework, and support cost-effective automation, administrative data and systems must continue to be centralized, replacing point solutions and eliminating redundant data stores.

Justification of CFTC Request by Function

Agency Direction

The FY 2017 request will support the Commission's leadership function, which includes the Offices of the Chairman and the Commissioners, as well as Public Affairs, Legislative Affairs and the Office of Minority and Women Inclusion (OMWI). Under Agency Direction, the Chairman's Office supports efforts to evaluate mandated reforms and focus on transparency and market integrity. It also provides responsive, articulate products for a variety of domestic and international venues. In addition, the request also includes funding for official reception and representation, as well as for the Commission's Advisory Committees. The increase in staffing and the associated personnel costs reflects funding the minimally required staff for each commissioner. Given the funding provided in FY 2016, the Commission must carefully manage the cost of agency FTE.

Impact if Not Funded at Requested Level of Resources. The Commission will be unable to meet the leadership challenge of ensuring that markets are functioning openly, fairly, and efficiently now that the new regulatory framework is in place. The Commission requires a fully staffed executive function to develop and adopt policy that implements and enforces the CEA. Furthermore, failure to provide funding could jeopardize CFTC's compliance regarding the implementation of Equal Employment Opportunity and diversity programs. The current staffing and funding for OMWI maintains the current level of functions and services, which represents a fraction of the functions required by 29 Code of Federal Regulations 1614 and Management Directive--715.

Administrative Management and Support

The FY 2017 request builds upon the Commission's foundation of focused planning and governance, efficient execution of resources and a trained and productive workforce, which is articulated in the Strategic Plan FY 2014-2018. In FY 2017, CFTC will draw upon the Strategic Plan and implement initiatives that move the agency successfully through the challenges ahead.

The Commission will ensure that CFTC resources are protected against waste, fraud, and abuse. Efforts will be made to obtain unmodified audit opinions on the agency-wide financial audit and the Consumer Protection Fund audit, as well as ensuring no material weaknesses or significant deficiencies exist within the CFTC's internal controls. In pursuit of responsible stewardship of resources, the Commission will judiciously negotiate approximately 600 contract actions and seek estimated savings over their life.

The Commission will identify, procure and host approximately 100 training courses to enable staff to enhance and retain critical skills that support each mission activity. Training will include courses related to the oversight of the options, futures, and swaps financial marketplace, the development of executive and leadership skills, and the deployment of a focused mentorship program. The Commission will also continue to enhance and expand its customized, peer-to-peer, knowledge sharing program, known as the "Commission's Learning Circles," growing the program from 18 sessions in FY 2016 to approximately 30 unique events in FY 2017. The Commission will continue its vigilance in providing a secure work environment by, among other things, conducting workplace and domestic violence prevention and intervention briefings and maintaining requirements for secure workspaces. The Commission will also build upon and refine its performance metrics as part of continuous process improvement.

The Commission will refine policies and procedures for enterprise-wide incident response planning and strengthen data-loss prevention technologies, as it did with the testing and procurement of a data-loss prevention tool in 2015. The Commission will continue to enhance continuity of operations, security, and contingency planning operations. The Commission will also address privacy and records issues that arise with critical mission activities, including enforcement and market oversight utilizing international data, enforcement of the privacy and security provisions of the Gramm-Leach-Bliley Act, and identifying and managing controlled unclassified data. The Commission has a proven record of accomplishment with these issues. In 2015, the Commission addressed concerns regarding the Data Protection and Privacy Agreement with the European Commission, the proposed General Data Protection Regulation and Criminal Justice Directive, and the outline of the proposed data protection law in Japan. The Commission will continue its participation in the International Conference of Data Protection and Privacy Commissioners, where it was granted observer status in 2015, and continue to raise concerns and advocate proposed data privacy legislation in the European Union (EU).

The Commission will also continue to administer agency-wide contracts in an efficient and effective manner.

Impact if Not Funded at Requested Level of Resources. The Commission is at a critical juncture in its ability to meet the emerging needs of its mission. Administrative requirements continue to increase as technology is deployed throughout the Commission and across the Federal government. Moreover, the CFTC's new and expanding legislative and regulatory requirements means the complexity of financial management, strategic planning, human capital management, and privacy and records issues continue to escalate. The Commission has often opted to invest in mission activities over administrative functions, resulting in many outdated and inefficient processes that have been replaced by technological innovations at other agencies. The Commission recognizes the need to keep overhead costs as low as possible, and has taken steps to become more efficient and innovative. Given the efforts previously made, maintaining the current level of administrative management and support functions will increase risk to internal controls, human capital development, and the inhibit the Commission's ability to engage in sound and prudent privacy and records management decisions. Furthermore, failure to meet critical training needs will result in skill gaps that render employees unprepared to protect market participants and the public from fraud, manipulation, abusive practices and systemic risk related to derivatives. If adequate funding is not received, the Commission's efforts to effectively administer agency-wide contracts, such as paralegal services, administrative services, travel services, and facilities management will be compromised.

Data and Technology

The Commission will increase its use of automated products and services from the shared-service provider, the NFC, in order to automate administrative processes and improve the consistency and availability of real-time human resource information. This will allow administrative support staff to allocate more time to operational planning and execute human capital strategy more effectively.

Impact if Not Funded at Requested Level of Resources. The Commission will be unable to expand and improve on its highest priority mission support activities. Expertise in organizational and operational management, financial management, and human resources are needed at the requested levels in order for the agency to provide the systems, data protections, performance management and analysis needed to keep pace with the technology-driven innovative environment it is charged with overseeing.

Inspector General

This funding request includes those required to support the OIG, as required by the Inspector General Act of 1978. Appendix 3 contains a detailed display of the OIG request. FY 2017 reflects an additional position for the Office of the Inspector General to perform their numerous evaluative responsibilities.

Breakout of Agency Direction and Management Request [14]

Table 13: Breakout of Agency Direction and Management by Division

	FTE	Salaries and Expenses ($000)	IT ($000)	Total ($000)
Agency Management and Support	84	$20,802	$0	$20,802
Agency Direction	37	$10,050	$0	$10,050
Data and Technology	0	$6,092	$1,730	$7,822
Inspector General	11	$3,462	$0	$3,462
Total	**132**	**$40,405**	**$1,730**	**$42,135**

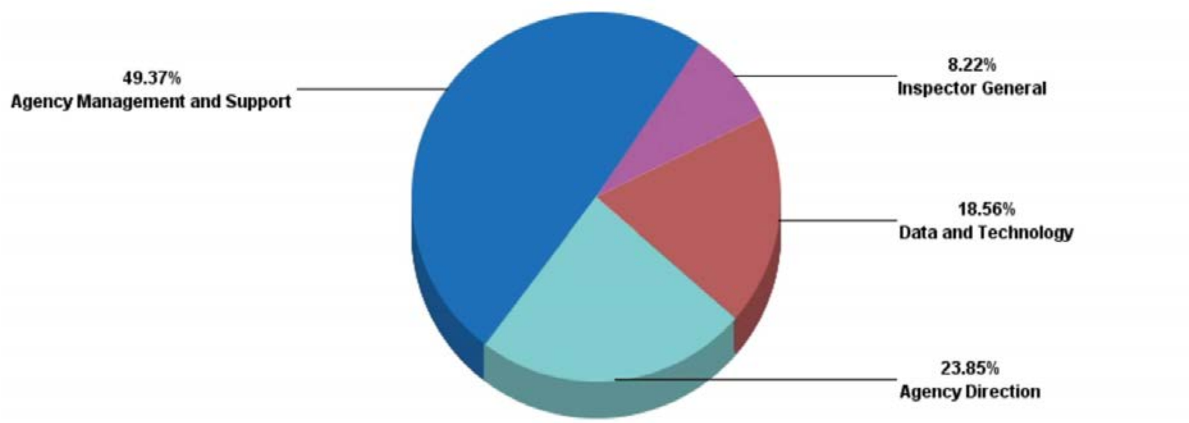


Figure 13: Agency Direction and Management Request by Division

[14] The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

APPENDIX 1

The Commissioners

The CFTC consists of five Commissioners, with two positions currently vacant. The President appoints and the Senate confirms the CFTC Commissioners to serve staggered five-year terms. No more than three sitting Commissioners may be from the same political party. With the advice and consent of the Senate, the President designates one of the Commissioners to serve as Chairman. The following represent the current CFTC Commissioners:

Timothy G. Massad, Chairman

Timothy G. Massad was appointed as Chairman of the U.S. Commodity Futures Trading Commission on June 5, 2014. His term expires on April 13, 2017.

Sharon Y. Bowen, Commissioner

Sharon Y. Bowen was appointed as Commissioner of the Commodity Futures Trading Commission on June 9, 2014. Her term expires on April 13, 2018.

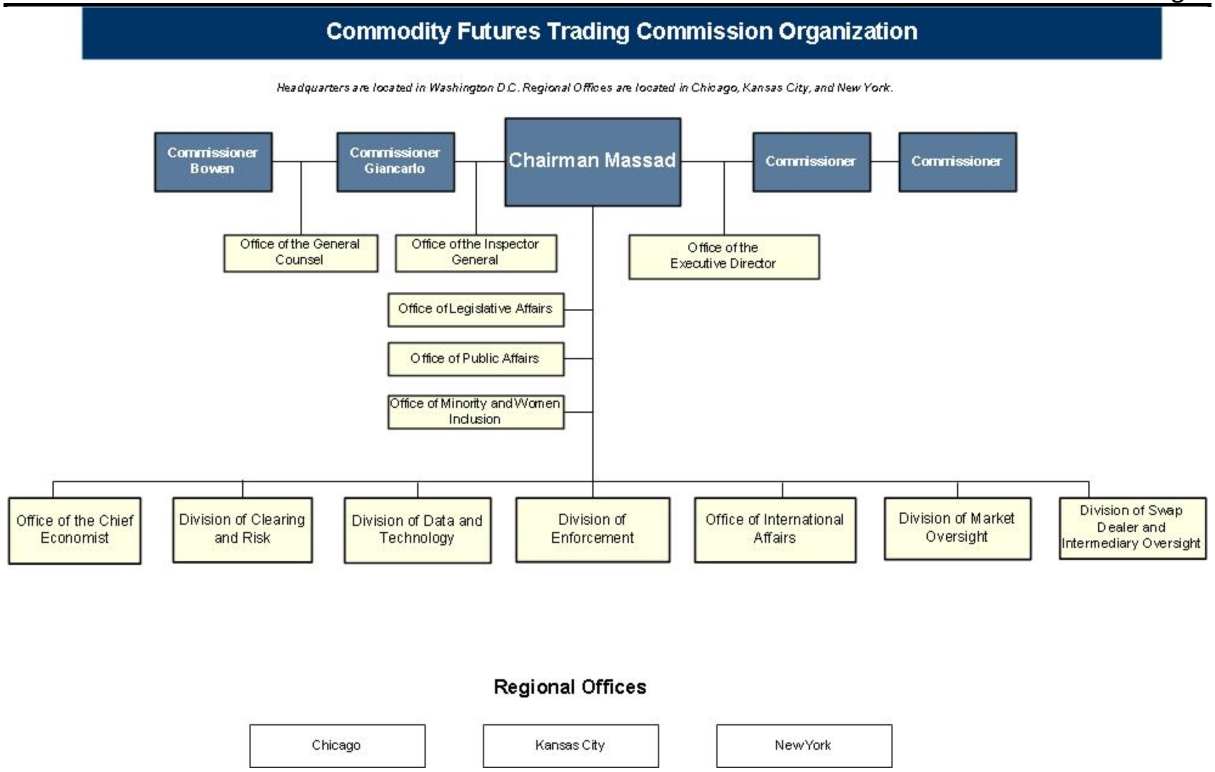
J. Christopher Giancarlo, Commissioner

J. Christopher Giancarlo was appointed as Commissioner of the Commodity Futures Trading Commission on June 16, 2014. His term expires on April 13, 2019.

Organizational Divisions and Offices

The Office of the Chairman oversees the Commission's principal divisions and offices that administer and enforce the CEA and the regulations, policies, and guidance thereunder.

The Commission is organized largely along programmatic and functional lines. The four programmatic divisions— the Division of Clearing and Risk (DCR), Division of Enforcement (DOE), Division of Market Oversight (DMO), and the Division of Swap Dealer and Intermediary Oversight (DSIO)—are partnered with, and supported by, a number of offices, including the Office of the Chief Economist (OCE), Office of Data and Technology (ODT), Office of the Executive Director (OED), Office of the General Counsel (OGC), and the Office of International Affairs (OIA). The Office of the Inspector General (OIG) is an independent office of the Commission.



Agency Direction

The Offices of the Chairman and the Commissioners provide executive direction and leadership to the Commission—specifically, as it develops and adopts agency policy that implements and enforces the CEA and the Dodd-Frank Act. Commission policy is designed to foster the financial integrity and economic utility of derivatives markets for hedging and price discovery, to conduct market and financial surveillance, and to protect the public and market participants against manipulation, fraud, and other abuses.

Administration Management and Support

The OED, by delegation of the Chairman, directs the internal management of the Commission, ensuring the Commission's continued success, continuity of operations, and adaptation to the ever-changing markets it is charged with regulating; directing the effective and efficient allocation of CFTC resources; developing and implementing management and administrative policy; and ensuring program performance is measured and tracked Commission-wide. The OED includes the following programs: Business Management and Planning, Executive Secretariat (which includes the Commission's Secretary, Library, Records, and Privacy, and Proceedings), Financial Management, Human Resources, and Consumer Outreach. The Office of Proceedings has a dual function to provide a cost-effective, impartial, and expeditious forum for handling customer complaints against persons or firms registered under the CEA, and to administer enforcement actions, including statutory disqualifications, and wage garnishment cases. The Office of Consumer Outreach (OCO) administers the Commission's consumer anti-fraud and public education initiatives.

Chief Economist

The OCE provides economic analysis, advice and context to the Commission and to the public. The OCE provides perspectives on both current topic and long-term trends in derivatives markets. The extensive research and analytical backgrounds of staff ensure that analyses reflect the forefront of economic knowledge and econometric techniques. The OCE plays an integral role in the cost-benefit considerations of Commission regulations and collaborates with staff in other divisions to ensure that Commission rules are economically sound. The OCE and the research it provides also play a key role in transparency initiatives of the Commission.

Clearing & Risk

The DCR oversees derivatives clearing organizations and other market participants that may pose risk to the clearing process and the clearing of futures, options on futures, and swaps by derivatives clearing organizations. The DCR staff: 1) prepare proposed regulations, orders, guidelines, and other regulatory work products on issues pertaining to derivatives clearing organizations; 2) review derivatives clearing organization applications and rule submissions and make recommendations to the Commission; 3) make recommendations to the Commission of which swaps should be required to be cleared; 4) make recommendations to the Commission as to the eligibility of a derivatives clearing organization seeking to clear swaps that it has not previously cleared; 5) assess compliance by derivatives clearing organizations with the CEA and Commission regulations, including examining systemically important derivatives clearing organizations at least once a year; and 6) conduct risk assessment and financial surveillance through the use of risk assessment tools, including automated systems to gather and analyze financial information, and to identify, quantify, and monitor the risks posed by derivatives clearing organizations, clearing members, and market participants and its financial impact.

Data and Technology

The ODT is led by the Chief Information Officer and delivers services to CFTC through three components: Systems and Services, Data Management, and Infrastructure and Operations. Systems and Services focuses on several areas: 1) market and financial oversight and surveillance; 2) enforcement and legal support; 3) document, records, and knowledge management; 4) CFTC-wide enterprise services; and 5) management and administration. Systems and services provide access to data and information, platforms for data analysis, and enterprise-focused automation services. Data Management focuses on data analysis activities that support data acquisition, utilization, management, reuse, transparency reporting, and data operations support. Data Management provides a standards-based, flexible data architecture; guidance to the industry on data reporting and recordkeeping; reference data that is correct; and market data that can be efficiently aggregated and correlated by staff. Infrastructure and Operations organizes delivery of services around network infrastructure and operations, telecommunications, and desktop and customer services. Delivered services are highly available, flexible, reliable, and scalable, supporting the systems and platforms that empower staff to fulfill the CFTC mission. The three service delivery components are unified by an enterprise-wide approach that is driven by the Commission's strategic goals and objectives and incorporates information security, enterprise architecture, and project management.

Enforcement

The DOE investigates and prosecutes alleged violations of the CEA and Commission regulations. DOE utilizes its authority to, among other things: 1) shut down fraudulent schemes and seek to immediately preserve customer assets through asset freezes and receivership orders; 2) uncover and stop manipulative and disruptive trading; 3) ensure that markets, firms and participants subject to the Commission's oversight meet their obligations, including their financial integrity and reporting obligations, as applicable; 4) ban defendants from trading and being registered in its markets; and 5) obtain orders requiring defendants to pay restitution, disgorgement and civil monetary penalties. DOE also engages in cooperative enforcement work with domestic, state and Federal, and international regulatory and criminal authorities. The WBO within DOE receives tips, complaints and referrals of potential violations, which allows the staff to bring cases more quickly and with fewer agency resources, and guides the handling of whistleblower matters as needed during investigation, litigation and award claim processes.

General Counsel

The OGC provides legal services and support to the Commission and all of its programs. These services include: 1) engaging in defensive, appellate, and *amicus curiae* litigation; 2) assisting the Commission in the performance of its adjudicatory functions; 3) providing legal advice and support for Commission programs; 4) assisting other program areas in preparing and drafting Commission regulations; 5) interpreting the CEA; 6) overseeing the Commission's ethics program and compliance with laws of general applicability; and 7) providing advice on legislative and regulatory issues.

International Affairs

The OIA advises the Commission regarding international regulatory initiatives; provides guidance regarding international issues raised in Commission matters; represents the Commission in international fora, such as IOSCO and over-the-counter Derivatives Regulators Group, and bilateral dialogues, such as the U.S.-E.U. Financial Markets Regulatory Dialogue; coordinates Commission policy as it relates to policies and initiatives of major foreign jurisdictions, the G20, Financial Stability Board and the U.S. Treasury Department (Treasury); and provides technical assistance to foreign market authorities.

Market Oversight

The DMO promotes the integrity and transparency of price discovery process by requiring that all derivatives markets be open and competitive and free from fraud, manipulation and other abuses. In pursuing these goals, DMO directly oversees both exchanges and data repositories to evaluate whether they are fulfilling their regulatory obligations. DMO reviews applications for new exchanges and data repositories for compliance with applicable core principles and implementing regulations before being approved for operation. Subsequently, DMO monitors all new rules, rule amendments and new product listings by exchanges and data repositories in furtherance of their ongoing compliance with applicable regulatory responsibilities. DMO also maintains an active compliance group that regularly assesses the exchanges' detection of and prosecution of rule violations. DMO further maintains its own market surveillance group that independently monitors for market manipulations and trading abuses and can result in referrals to the Commission's Division of Enforcement for possible enforcement actions.

Swap Dealer and Intermediary Oversight

The DSIO program oversees the registration and compliance activities of market intermediaries and the futures and swaps industry self-regulatory organizations. DSIO develops and implements regulations concerning registration, fitness, financial adequacy, sales practices, risk management, business conduct, capital and margin requirements, protection of customer funds, cross-border transactions, and anti-money laundering programs, as well as policies for coordination with foreign market authorities and emergency procedures to address market-related events. DSIO provides legal guidance to the Commission, intermediary registrants, self-regulatory organizations and other market participants regarding these regulations and the CEA provisions that these regulations implement. DSIO also provides oversight and guidance for complying with the system of registration and compliance established by the CEA and the Commission's regulations. DSIO further assesses registrant compliance with commission regulations by conducting targeted reviews and examinations of registrants and performing oversight of the self-regulatory organization examination functions.

APPENDIX 2

Information Technology

Introduction

The Commission's IT Portfolio reflects strategic priorities to provide highly available infrastructure and services, access to data, platforms for staff data analysis, and enterprise-focused automation services. The Commission will scale and enhance communication, processing, storage, and platform infrastructure to meet mission requirements. IT initiatives that provide staff with access to data are given priority over all other investments. IT initiatives that provide staff with flexible self-service analytics tools for their direct use are given priority over initiatives that take longer to implement and need greater investment in staff time as a prerequisite to successful development and implementation. IT investments are mission-focused, enterprise-focused, or integrated with enterprise services and data.

The Commission has organized its IT portfolio into the five major investments described below:

- *Surveillance*. Supports market, trade practice, and financial and risk oversight. Success in this area is highly dependent on the ability to acquire large volumes of data and the development of standards and analytics to support data segregation, as well as identify trends and/or outlying events that warrant further investigation.

- *Enforcement*. Provides a variety of critical automated litigation and investigation support services to facilitate the overall management of documents and data. Enforcement technology also provides the ability to rapidly query and retrieve information about investigations and litigation and perform analytics.

- *Other Mission Support*. Provides services that are vital to CFTC's regulatory mission activities including: 1) Registration and Compliance, 2) Product Reviews, 3) Examinations, 4) Legal and Economic Analysis, and 5) International Policy.

- *Data Infrastructure*. Supports all mission areas by providing the underlying infrastructure for IT services including: messaging, communications, network security, database administration, business continuity, and data storage management. The data infrastructure effort also provides transparency through the CFTC.gov website, staff collaboration and knowledge management, as well as document and records management.

- *Management and Administrative Support*. Includes IT service to commission-wide general support activities that require specialized or dedicated IT service components, for example, financial management, payroll and personnel services, training, hiring and logistics support.

Management of the IT Portfolio in FY 2017

The Commission requests $79.0 million for the Information Technology Program and $34.4 million for the Salaries and Expenses Program, in support of the following IT priorities:

Surveillance:

- Data Standards
    - Sustain ongoing efforts with domestic and international regulators, as well as industry to harmonize and refine data standards and improve data quality.
    - Implement master reference data management.
    - Enhance data governance policy and implement revised procedures.

- Automate data quality management activities and increase data analysis and analytics support activities.
- Support harmonizing of data standards and data access services for all swap data repository data.

- Swaps Data Management
  - Provide data loading support for all new data submissions.
  - Implement data aggregation mechanisms for cross- swap data repository data analysis.
  - Collaborate on integration of NFA systems and data with CFTC systems and ingest of NFA data into CFTC systems.
  - Continue integrating futures, swaps, and master and reference data in an enterprise data environment.
  - Enhance the CFTC data warehouse to facilitate rapid access to large volumes of market data.

- Position and Transaction Surveillance
  - Adapt large trader reporting systems to support new swaps data analysis, internal reporting requirements, and transparency reporting.
  - Deploy systems that analyze orders as well as trades for trade practice violations.
  - Enhance position monitoring systems.
  - Improve existing account ownership and control information systems.

- Over-the-Counter Risk Management
  - Intensify capability to stress test positions in swaps for market participants and derivatives clearing organizations.
  - Amplify systems to identify and aggregate data for related market participants across derivatives clearing organizations.
  - Improve tools used in back testing and evaluation of sufficiency of all material product and portfolio margin requirements.
  - Upgrade monitoring capabilities of firm level variation and initial margin requirements across derivatives clearing organizations.
  - Expand existing tools utilized in the evaluation of risk to market participants positions held at multiple futures commission merchants or derivatives clearing organizations.
  - Enhance tools to combine cleared and bilateral positions to obtain a more complete picture of a clearing firm's risk.
  - Modify existing financial analysis tools which support reviews of futures commission merchants and swaps dealers risk management controls.

- Market and Data Analytics
  - Continue enhancing data availability and analytics tools that allow staff to prototype new surveillance and risk and compliance monitoring methods.
  - Adjust production analytics to use high-performance computing platforms.
  - Support additional public transparency reporting.

Other Mission Support:

- Registration and Compliance, Product Review and Assessment.
  - Automate regulatory mission and key activity processes.
- Examinations
  - Automate regulatory mission and key activity processes.
- Legal and Economic Analysis
  - Automate regulatory mission and key activity processes.

Enforcement:

- Enhance eLaw and forensics program technology and increase litigation technical support services.

Data Infrastructure:

- Increase storage, processing, and communications infrastructure to meet demand.
- Refresh desktop computing technology.
- Reduce business continuity risk and increase availability during non-business hours: decommission the server room at the DC Headquarters location; supplement the Commission's ACF with a second, geographically co-located ACF; and adjust system architectures to further automate recovery and reconstitution processes and reduce the need for outages for planned maintenance.
- Implement information security continuous diagnostics and mitigation (CDM).
- Refresh end-of-life cycle desktop computing resources and complete the deployment of a virtual desktop environment.
- Increase customer support for industry participants using the CFTC portal.
- Implement an electronic records and document management system and enterprise search.
- Provide support for the Commission-wide collaboration site and division collaboration sites.

Management and Administrative Support:

- Enhance video production capabilities to support electronic learning and improved communications.

Summary of Information Technology Budget by Cost Type

	FY 2015 Actual ($000)	FY 2016 Enacted ($000)	FY 2017 Request ($000)
Development, Modernization, and Enhancement (DME)	14,229	18,795	21,781
Operations and Maintenance (O&M)	54,005	50,738	80,631
S&E (Non-DME/O&M)	9,894	4,302	6,092
Indirect Overhead	5,101	4,770	4,930
Total IT Portfolio	**$83,229**	**$78,605**	**$113,433**
Information Technology Services	50,621	50,000	79,000
Information Technology Personnel	17,613	19,533	23,412
S&E (Non-DME/O&M)	9,894	4,302	6,092
Indirect Overhead	5,101	4,770	4,930
Total IT Portfolio	**$83,229**	**$78,605**	**$113,433**

Detail of Information Technology Budget by Cost Type

	FY 2015 Actual ($000)	FY 2016 Enacted ($000)	FY 2017 Request ($000)
Surveillance	22,135	16,543	31,716
DME	8,227	7,511	12,249
Services	7,909	4,838	11,627
Personnel	317	2,673	622
O&M	13,908	9,032	19,468
Services	6,768	5,125	10,144
Personnel	7,140	3,907	9,323
Enforcement Activities	4,310	6,416	6,628
DME	48	949	108
Services	48	744	108
Personnel	-	206	-
O&M	4,262	5,466	6,520
Services	3,469	4,233	5,484
Personnel	793	1,234	1,036
Other Mission Support	2,513	2,927	3,819
DME	1,088	881	1,604
Services	1,088	675	1,604
Personnel	-	206	-
O&M	1,425	2,046	2,214
Services	1,425	1,430	2,214
Personnel	-	617	-
Agency Direction and Management	11,008	6,405	7,822
S&E	9,894	4,302	6,092
Services	9,894	4,302	6,092
DME	-	450	-
Services	-	450	-
Personnel	-	-	-
O&M	1,114	1,653	1,730
Services	1,114	1,036	1,730
Personnel	-	617	-
Data and Technology Support	38,163	41,544	58,518
DME	4,866	9,004	7,819
Services	4,549	6,947	7,405
Personnel	317	2,056	414
O&M	33,297	32,541	50,699
Services	24,252	24,522	38,682
Personnel	9,045	8,019	12,017
Indirect Overhead	5,101	4,770	4,930
Total IT Portfolio	**$83,229**	**$78,605**	**$113,433**

Table 14: Information Technology Budget

Table Key

Category	Description
DME	Costs related to the development, modernization, and enhancement of technology.
O&M	Costs related to the operations and maintenance of technology.
S&E	Costs related to the Salaries and Expenses Program .
PERSONNEL	Costs of government personnel for salary and benefits only.
SERVICES	Hardware, software, and contracted data and technology services and contracted labor.
INDIRECT	Overhead related to leases and other centrally funded costs.

APPENDIX 3

Inspector General

The Office of Inspector General (OIG) is an independent organizational unit at the CFTC. The mission of the Office of Inspector General is to detect waste, fraud, and abuse and to promote integrity, economy, efficiency, and effectiveness in the CFTC's programs and operations. As such, it has the ability to review all of the Commission's programs, activities, and records. In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General issues semiannual reports detailing its activities, findings, and recommendations.

Total FY 2017 Budget as described below includes the OIG request of $2,981,747 for estimated direct salary and benefit costs of 11 FTE, including an estimated contribution of $8,918 to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The Budget also includes overhead of approximately $479,900. Overhead represents a proportional share of all estimated indirect costs, such as, lease of space, utilities, communications, printing, supplies, equipment and other services used by or available to the Office of Inspector General.

Table 15: Inspector General's Budget Request

Budget Year	OIG Requested Budget	Overhead	Total Budget	Training Budget Estimate	CIGIE	FTE
FY 2017	$2,981,747	$479,900	$3,461,647	20,000	8,918	11

Budget Year	Enacted OIG earmark	Overhead	Total Budget	Training Budget Estimate	CIGIE	FTE
FY 2016	$2,290,000	$330,000	$2,620,000	14,000	7,576	10

Inspector General's Comment on the CFTC FY 2017 Budget Request

U.S. COMMODITY FUTURES TRADING COMMISSION
Office of Inspector General
Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5110
Facsimile: (202) 418-5522

January 28, 2016

TO: Timothy G. Massad, Chairman
Commissioner Sharon Y. Bowen
Commissioner J. Christopher Giancarlo

FROM: A. Roy Lavik, ARL/ar
Inspector General

SUBJECT: Comments on the CFTC FY 2017 Budget Submission for the Office of Inspector General

Pursuant to section 6(f)(2)(D) of the Inspector General Act of 1978 (IG Act), as amended, "in transmitting a proposed budget to the President for approval, the head of each establishment or designated Federal entity shall include … any comments of the affected Inspector General with respect to the proposal." We are submitting this brief comment for inclusion with the CFTC FY 2017 Budget Submission for the Office of Inspector General.

I have requested slightly under $3 million to fund salaries and operating expenses for my Office for FY 2017. This amount is less than 1% of the Agency's FY 2017 total proposed budget.

The Agency has added an additional $479,900 to the OIG FY 2017 budget request for OIG overhead. This is a significant increase over the FY 2016 overhead amount set by Congress at $330,000. We stress that, for FY 2016, Congress in its official comments set and limited Agency-controlled overhead for my Office (that the Agency may take from the OIG earmark) at $330,000. We call attention to Congress's action in FY 2016 because we believe Congress may wish to set OIG overhead for FY 2017 in a similar amount per employee. The FY 2016 overhead amount of $330,000 amounted to $33,000 per employee for 10 employees. We are requesting one additional staff for FY 2017, and it appears the Agency has requested an additional $149,900 to cover just one full time employee.

As always, I appreciate your continuing support of my Office.

Inspector General's FY 2017 Budget Request

U.S. COMMODITY FUTURES TRADING COMMISSION
Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5110
Facsimile: (202) 418-5522

Office of the
Inspector General

December 18, 2015

TO: Chairman Timothy G. Massad
Commissioner Sharon Y. Bowen
Commissioner J. Christopher Giancarlo

FROM: A. Roy Lavik ARL (JR
Inspector General

SUBJECT: FY 2017 OIG Budget Request

In accordance with the IG Act, I am notifying you of the requested budget for Fiscal Year 2017 to operate my office. OIG activities include audits, investigations, reviews, inspections, and other activities evaluating the operations and programs of the Commission. Such activities assist in improving the economy, efficiency, and effectiveness of operations, as well as in detecting and preventing fraud, waste, and mismanagement. I am requesting $2,981,747.

The $2,981,747 funds training, travel, contracted audits and services, and all other OIG activities including salaries and benefits. Of this amount, $20,000 is budgeted for training purposes and will satisfy all training requirements for my Office. The request also includes the Inspector General's contribution to the Council of the Inspectors General on Integrity and Efficiency (CIGIE) as required by the IG Act. Our FY 2017 request is less than 1% of the CFTC's 2017 budget request.

CFTC's FY 2016 appropriation reflected Congress' appreciation of issues raised in CFTC OIG reports exposing wasteful spending on leased space. The Committee stated:

> The agreement directs the Commission, in accordance with the President's "Reduce the Federal Footprint" initiative, to find ways to decrease space and renegotiate leasing agreements. The agreement directs the CFTC to report to the Committee within 90 days of enactment of this act on steps the agency is taking to dispose of excess space and reduce rental costs in each building currently leased by the Commission. …[T]he Commission is directed to consult with the General Services Administration in fiscal year

2016 prior to issuing a solicitation for offers of new leases or construction contracts and prior to entering into negotiations for succeeding leases.[1]

CFTC OIG has identified over $60 million in potential savings at CFTC by reducing lease payments on vacant offices. That amount is more than 20 times our FY 2017 budget request.

Our budget request does not include funds for Agency-wide overhead. "Overhead" consists of spending on CFTC leases, administrative services (including expenses for contractors who do not report to the IG), and agency-wide training. Our intent is to submit an OIG budget request that is solely for funds under the control of, and to be spent directly by, the Office of the Inspector General. We believe this avoids confusion and reserves to the Agency maximum flexibility to manage Agency-wide overhead, while ensuring compliance with the Inspector General Act.

Attachment

[1] EXPLANATORY STATEMENT SUBMITTED BY MR. ROGERS OF KENTUCKY, CHAIRMAN OF THE HOUSE COMMITTEE ON APPROPRIATIONS REGARDING HOUSE AMENDMENT #1 TO THE SENATE AMENDMENT ON H.R. 2029, 114th Cong., 1st Sess. Division A, 31 (2015), *available at:* http://docs.house.gov/meetings/RU/RU00/20151216/104298/HMTG-114-RU00-20151216-SD002.pdf.

FY 2017 OIG OMB Budget Request		
Budget Elements	**Budget Figures**	**Notes**
Salaries and Benefits	**$2,354,829**	**OIG Staff +1 to 11 total FTE**
Operating Expenses		**Operating expenses total $618,000 as detailed below**
Contract Audit Services	$250,000	Reflects two contracted audits in addition to internal audits
Contract Technical Services	$200,000	Analytic services and computer forensics
Paralegal/Admin Contractor	$70,000	Contracted paralegal/admin support
Travel	$38,000	Reflects site visits by OIG to regional offices
Training	$20,000	Satisfies all audit and investigative training needs
Miscellaneous	$40,000	Includes interagency agreements, supplies, interns
Subtotal	**$618,000**	
CIGIE contribution .3%	**$8,918**	Reflects estimate for required payment to CIGIE
Total Budget Request	**$2,981,747**	**Reflects solely funds under the control of OIG**

APPENDIX 4

Statement of Availability on Basis of Obligations

Table 16: Summary of FY 2014 to 2016 Statement of Availability on Basis of Obligations

	FY 2015 Actual $ (000)	FY 2016 Estimate $ (000)	FY 2017 Request $ (000)
New Appropriations	$250,000	$250,000	$330,000
Sequestration	0	0	0
Carryover from Prior Year	5,468	542	446
Recoveries of Prior Year Obligations	839	3,856	3,856
Total Available	**256,307**	**254,398**	**334,302**
Obligations	250,073	250,396	330,000
Balance Available	**6,234**	**4,002**	**4,302**
Lapsing Appropriations[15]	(5,684)	(700)	
Total Available or Estimate	**$550**	**$3,302**	

[15] Reflects adjustments made as a result of GAO Decision Memorandum B-325351.

APPENDIX 5

Customer Protection Fund

Introduction

Section 748 of the Dodd-Frank Act amended the CEA by adding Section 23, entitled "Commodity Whistleblower Incentives and Protections." Among other things, Section 23 establishes a whistleblower program that requires the Commission to pay awards, under regulations prescribed by the Commission and subject to certain limitations to eligible whistleblowers who voluntarily provide the Commission with original information about violations of the CEA that lead to the successful enforcement of a covered judicial or administrative action, or a related action. The Commission's whistleblower awards are equal, in the aggregate amount to at least 10 percent but not more than 30 percent of the monetary sanctions actually collected in the Commission's action or a related action.

Section 748 of the Dodd-Frank Act also established the CFTC Customer Protection Fund (Fund) for the payment of awards to whistleblowers, through the whistleblower program, and the funding of customer education initiatives designed to help customers protect themselves against fraud or other violations of the CEA or the rules or regulations thereunder. The Commission undertakes and maintains customer education initiatives through an Office of Consumer Outreach (OCO).

Management of the Whistleblower Office

The Whistleblower Office (WBO) has three essential functions:

- *Process Whistleblower Submissions.* WBO receives, tracks, and handles whistleblower submissions and inquiries.

- *Coordinate with Commission Divisions and Outside Agencies*. WBO answers questions from Commission staff and others regarding the whistleblower program, and guides the handling of whistleblower matters as needed during examination, investigation and litigation. WBO also approves referrals of whistleblower-identifying information to outside agencies.

- *Administer Claims Process*. WBO receives and tracks whistleblower award claims, gathers and prepares the adjudicatory records for the Whistleblower Award Determination Panel (Panel), advises the Panel as needed on the whistleblower provisions and rules, and memorializes the Panel's decisions.

On September 29, 2015, the CFTC issued an order granting an award of approximately $290,000 to a whistleblower for providing valuable information about violations of the CEA.

This is the second whistleblower award issued by the CFTC. The CFTC issued its first whistleblower award of approximately $240,000 on May 20, 2014. All whistleblower award payments are made out of the Fund established by Congress that is financed entirely through monetary sanctions paid to the CFTC by violators of the CEA.

In FY 2016, the Commission will continue to increase its communications with investors, market participants and voluntary whistleblowers about the protections and incentives under the Whistleblower Program.

Management of the Office of Consumer Outreach

The Office of Consumer Outreach (OCO) administers the CFTC's customer and public education initiatives designed to help customers protect themselves against fraud and other violation of the CEA. The Commission currently conducts consumer outreach efforts through comprehensive marketing and communications campaigns. The OCO's fraud prevention messages are delivered through numerous channels. One of those channels is www.SmartCheck.gov, which launched in November 2014. On the website, consumers can find tools to check the background of financial professionals, report fraud or suspected fraud, learn persuasion tactics, and access other educational resources. In addition, customers seeking in-depth information about trading in commodities markets at a retail level can access relevant content on the CFTC's main website, www.cftc.gov.

Outreach efforts also include targeted online, print, and television advertising, as well as media outreach. In FY 2015, the CFTC advertising campaign ran custom advertisements across several websites, and in March and April 2015, the online advertising was complemented with television advertising on *CNBC*. Over 16 million members of the television demographic closest to the campaign's target audience viewed the CFTC's television advertisements at least three times. The FY 2015 television advertising drove consumers to complete more than four times the average monthly number of background checks of financial professionals. Based on that success, television advertising was increased in FY 2016. The Commission will continue to monitor the effectiveness of its initiatives in order to advise continued funding of specific activities. Lessons learned from the FY 2016 advertising campaign will further inform marketing efforts for all OCO initiatives in FY 2017.

For FY 2017, the Commission may expand and spend up to $22 million in FY 2017 on its customer outreach initiatives. However, this will depend on a number of factors. First, the actual dollars spent will depend in part on the results of its research on the effectiveness of existing initiatives. Second, the maximum amount assumes an expansion in the number and type of outreach initiatives beyond the current SmartCheck campaign, which is in turn dependent on when the Commission can bring on board a new director. The Commission is currently in the process of recruiting a new director.

In addition, the OCO's outreach efforts include collaborative activities and partnerships to promote the CFTC's investor protection resources. Current collaborative programs include efforts with entities such as state securities and consumer protection regulators, federal financial regulators, federal agencies, financial markets self-regulatory organizations, financial professional organizations, nonprofit consumer groups, public libraries, law enforcement, and academia. The results of these collaborative relationships include in-person events, virtual events, and the creation of educational materials for both investors and individuals who interact with investors.

The collaborative activities complement the national advertising efforts and provide additional venues for outreach messages. For example, state collaborative efforts have resulted in events where the CFTC outreach messages reach a local level. By working with the states, this type of outreach strategy brings further awareness of the CFTC investor education resources by garnering local media attention and attracting public interest to attend local events. The OCO's efforts thus far have reached multiple audiences through working with a variety of partners and using multiple delivery methods. The OCO will continue collaborative activities and plans on expanding with long-term partnerships, as well as activities such as developing education kits for investors and those interacting with investors. The activities will yield a more robust impact on consumer protection.

The OCO continues ongoing research and evaluation to determine that funds are efficiently utilized and current and future messaging and outreach efforts are effective at reaching consumers and providing consumers with tools and information to help consumers protect themselves against fraud and other violations of the CEA. The OCO will build on its experiences and continue to expand its outreach efforts through comprehensive marketing and communication programs, as well as collaborative activities and partnerships. To facilitate its efforts, the OCO expects to increase its staff during FY 2016 and FY 2017.

Operation of the Customer Protection Fund

The Customer Protection Fund is a revolving fund established under section 748 of the Dodd-Frank Act. The Commission shall deposit civil monetary penalties, disgorgements, and interest it collects in covered administrative or judicial enforcement actions into the Fund whenever the balance in the Fund at the time of the deposit is less than or equal to $100 million. The Commission pays whistleblower awards and finance customer education initiatives from the Fund but does not deposit restitution awarded to victims into the Fund. Program values include allocated CFTC administrative expenses.

In FY 2017, the CFTC estimates that it will use up to $77.0 million:

- Up to $22.0 million is budgeted for the OCO to fund customer education initiatives, administrative expenses, and seven FTE, an increase of $1.0 million over the FY 2016 budgeted level.
- Whistleblower awards are estimated at $52 million.
- Approximately $3.0 million will be used for the WBO to fund administrative expenses and 10 FTE, which is an increase of $0.3 million over the FY 2016 level.

Table 17: Customer Protection Fund

	FY 2015 Actual ($000)	FY 2016 Estimate ($000)	FY 2017 Estimate ($000)
Budget Authority – Prior Year	$269,901	$264,252	$180,587
Budget Authority – New Year	887	0	0
Prior Year Recoveries	89	0	0
Sequestration	4	0	0
Total Budget Authority	**270,874**	**264,252**	**180,587**
Whistleblower Program	1,623	2,685	3,021
Whistleblower Awards	0	60,000	52,000
Customer Education Program	4,999	20,980	22,026
Total Planned Expenditures	**6,622**	**83,665**	**77,047**
Unobligated Balance	**$264,252**	**$ 180,587**	**$103,540**

APPENDIX 6

The Commission and the Industry We Regulate

The mission of the CFTC is to foster open, transparent, competitive, and financially sound markets; to avoid systemic risk; and to protect market users and their funds, consumers, and the public from fraud, manipulation, and abusive practices related to derivatives and other products that are subject to the CEA. As a key mechanism for performing these responsibilities, the Commission delegates certain authorities to registered entities such as self-regulatory organizations, clearing entities and data depositories and then oversees and supports these organizations by reviewing their operations and procedures and by providing guidance, policy and direction in accordance with Commission regulations.

With respect to its oversight of swap dealers, major swap participants and intermediaries, the CFTC oversight occurs in coordination with the self-regulatory organization system. While the designated self-regulatory organizations are obligated to conduct surveillance, compliance oversight and enforcement activities for entities under their purview, the Commission conducts surveillance, compliance oversight and enforcement activities across all market participants while concurrently providing the rules, legal interpretations and policy oversight necessary to guide designated self-regulatory organization activities.

Recent revisions to the Commission's regulatory requirements have required additional focus on the oversight of designated self-regulatory organizations in their implementation of these new requirements for market participants. As the CFTC seeks to strengthen the regulatory framework for both futures commission merchants and swap dealers, a new category of registrants for the CFTC, the Commission will continue to work closely with the NFA to emphasize priority areas such as risk management, internal controls, legal compliance and futures commission merchant and swap dealer examinations.

CFTC Regulatory Landscape

The matrix, as detailed in Table 18, reflects how the Commission administers its oversight authorities for each regulated entity by CFTC mission activity. In summary, regulatory oversight is managed as follows:

- *CFTC Core*. Activities under this category apply to core functions central to the agency's mission. Examples include major enforcement actions, rulemaking, policy, legal interpretations, no action determinations, etc. All activities under this category are reflected as "CFTC" in the table.

- *CFTC Delegated*. This category captures mission activities that involve the delegation of certain regulatory functions to the NFA or other self-regulatory organizations. Examples include cyclical intermediary examinations, certain enforcement actions, reporting requirements, etc. However, in all cases of delegation the CFTC is responsible for the review and oversight of the self-regulatory organization processes, products, procedures, etc. to ensure and validate compliance with all applicable regulations. This work includes quarterly reviews of self-regulatory organization examinations activities, review/approval of proposed self-regulatory organization rules and policies, guidance and legal interpretations, etc. All activities under this category are reflected in the table below as "NFA/CFTC" or "designated self-regulatory organizations /CFTC", as appropriate.

- *CFTC Shared*. In the case of high priority derivatives clearing organizations, the CFTC shares regulatory authority with the Federal Reserve.

In the case of intermediaries the CFTC retains certain direct responsibilities and those which have been delegated to self-regulatory organizations, CFTC remains responsible for oversight of such responsibilities and/or delegates regulatory authority to self-regulatory organizations by CFTC mission activity.

CFTC Regulatory Landscape Matrix

Entity	Acronym	CFTC Mission-Activity					
		Registration & Compliance	Product Reviews	Surveillance	Examinations	Enforcement	Economic & Legal Analysis
Trading Entities							
Designated Contract Market	**DCM**	CFTC	CFTC	CFTC	CFTC	CFTC	CFTC
Swap Execution Facility	**SEF**	CFTC	CFTC	CFTC	CFTC	CFTC	CFTC
Clearing Entities							
Derivatives Clearing Organization	**DCO**	CFTC	CFTC	CFTC	CFTC	CFTC	CFTC
Systemically Important Derivatives Clearing Organization	**SIDCO**	CFTC	CFTC	CFTC	CFTC/ Federal Reserve	CFTC	CFTC
Data Repositories							
Swap Data Repository	**SDR**	CFTC	N/A	N/A	CFTC	CFTC	CFTC
Registered Futures Association							
National Futures Association	**NFA**	CFTC	N/A	N/A	CFTC	CFTC	CFTC
Intermediaries							
Futures Commission Merchant	**FCM**	NFA/CFTC	N/A	DSRO/CFTC	DSRO/CFTC	DSRO/CFTC	CFTC
Swap Dealer	**SD**	NFA/CFTC	CFTC	NFA/CFTC	NFA/CFTC	NFA/CFTC	CFTC
Major Swap Participant	**MSP**	NFA/CFTC	CFTC	NFA/CFTC	NFA/CFTC	NFA/CFTC	CFTC
Retail Foreign Exchange Dealer	**RFED**	NFA	N/A	NFA/CFTC	NFA/CFTC	NFA/CFTC	CFTC
Managed Funds							
Commodity Trading Advisor	**CTA**	NFA/CFTC	N/A	NFA/CFTC	NFA	NFA/CFTC	CFTC
Commodity Pool Operator	**CPO**	NFA/CFTC	N/A	NFA/CFTC	NFA	NFA/CFTC	CFTC
Other Registrants							
Introducing Broker	**IB**	NFA	N/A	NFA/CFTC	NFA	NFA/CFTC	CFTC
Floor Broker	**FB**	NFA	N/A	CFTC	N/A	SRO/CFTC	CFTC
Floor Trader	**FT**	NFA	N/A	CFTC	N/A	SRO/CFTC	CFTC
Associated Person (Sales)	**AP**	NFA	N/A	CFTC	N/A	SRO/CFTC	CFTC

Table 18: Matrix of U.S. Registered Entities and Registrants by CFTC Mission Activity

Number of Regulated Entities and Registrants

The Commission's regulatory framework continues to evolve in response to market forces, technology impacts, legislative mandates (*e.g.* Dodd-Frank Act, *etc.*) and other factors. The numbers of registrants operating within this framework are similarly impacted by these drivers and as such, their number will fluctuate over time. The FY 2015 actuals are provided below.

Entity	Acronym	Number of Registered Entities/Registrants
		FY 2015 Actuals
Trading Entities		
Designated Contract Market	**DCM**	15
Swap Execution Facility	**SEF**	23
Clearing Entities		
Derivatives Clearing Organization	**DCO**	15
Clearing Member		191
Systemically Important DCO	**SIDCO**	2
Data Repositories		
Swap Data Repository	**SDR**	4
Intermediaries		
Futures Commission Merchant [16]	**FCM**	71
Swap Dealer	**SD**	104
Major Swap Participant	**MSP**	1
Retail Foreign Exchange Dealer	**RFED**	5
Managed Funds		
Commodity Trading Advisor	**CTA**	2,377
Commodity Pool Operator	**CPO**	1,719
Other Registrants		
Introducing Broker	**IB**	1,306
Floor Broker	**FB**	4,191
Floor Trader	**FT**	764
Associated Person	**AP**	56,003

Table 19: Number of Market Participants by Fiscal Year

[16] Excludes futures commission merchants registered as retail foreign exchange dealers.

Industry Growth in Volume, Globalization and Complexity

In a marketplace driven by change, it may be helpful to look back at industry and CFTC trends over the past few years. The charts that follow reflect many of those changes affecting the CFTC:

- Growth in volume of futures and option contracts traded;
- Growth in volume of swaps traded on swap execution facilities
- Swap data repository swap volume data;
- Growth in actively traded futures and option contracts;
- Notional value of exchange traded and over-the-counter contracts;
- Amount of customer funds held at futures commission merchants;
- Margin Requirements;
- Swap execution facilities registered with the CFTC;
- Contract markets designated by the CFTC;
- Number of derivatives clearing organizations registered with the CFTC.
- Swaps data loaded into CFTC systems; and
- Cybersecurity breaches

Growth in Volume of Futures & Option Contracts Traded[17]

Trading volume for CFTC-regulated contracts maintained a general upward trend for the past decade. As the volume of futures and option contracts increases, CFTC resource requirements also increase, since the CFTC has to conduct trade practice and market surveillance for a larger number of transactions.

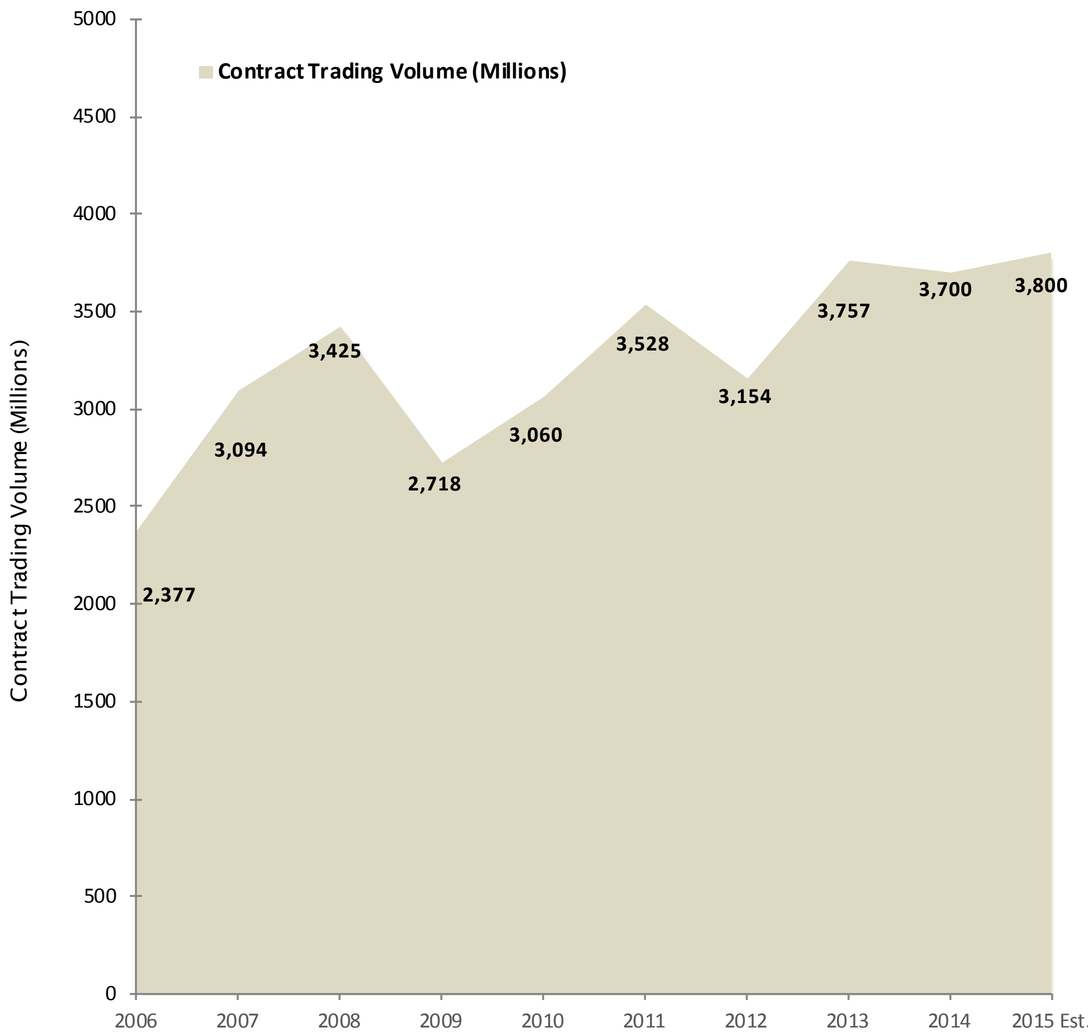


Figure 12: Growth of Volume of Contracts Traded

[17] Data Source: Futures Industry Association (FIA), CFTC estimates. Yearend FIA data for 2015 will be available in March 2016.

Growth in Volume of Swaps Traded on Swap Execution Facilities[18]

Swap execution facilities, a type of CFTC-regulated platform for trading swaps, began operating on October 2, 2013.

The Commission only recently began receiving swap execution facility data and needs additional resources to render the data in useable form so that it can be used to conduct market surveillance, to include additional asset classes in the Swaps Reports, and to automate these processes.

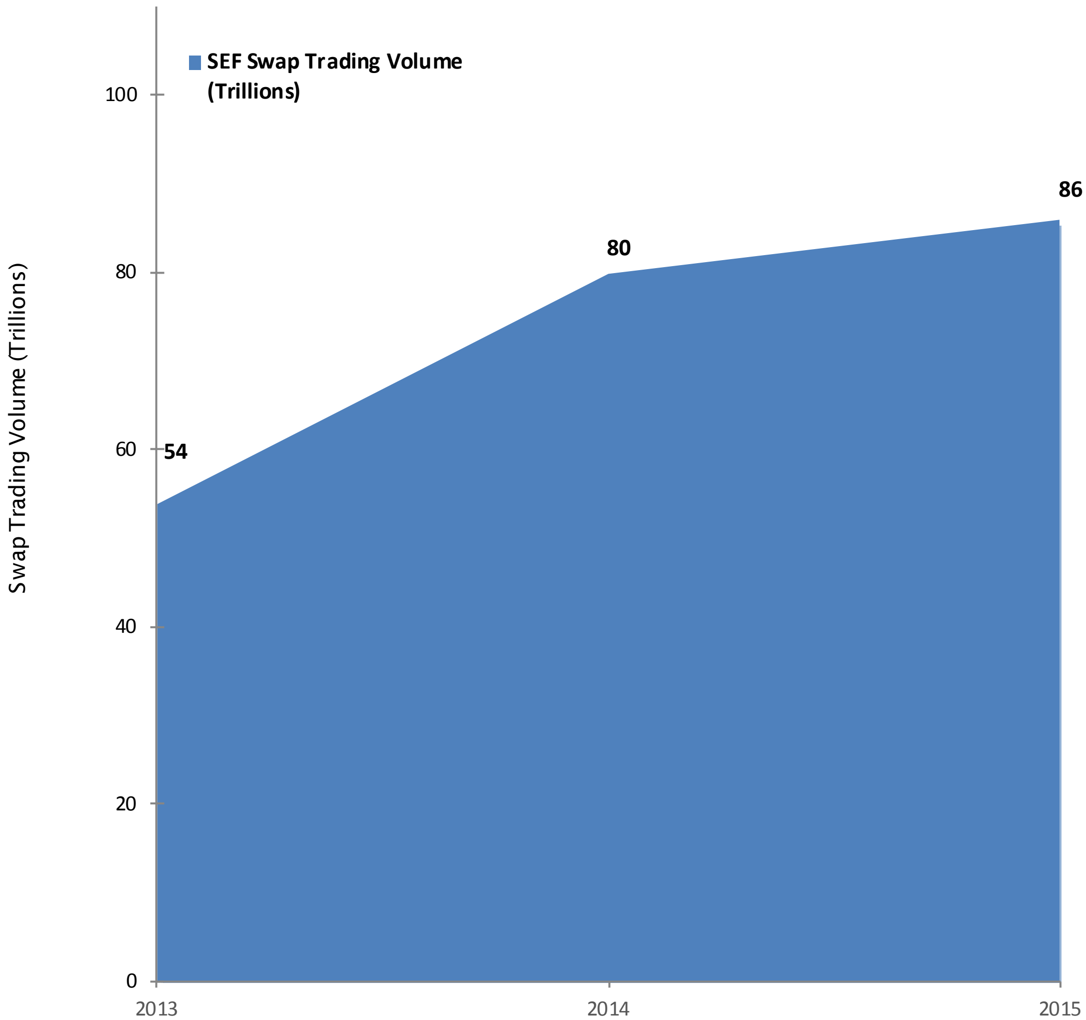


Figure 13: Volume of Swaps Traded on Swap Execution Facilities

[18] Data source: International Swaps and Derivatives Association data available at http://www.swapsinfor.org. Data is for interest rate swaps and credit default swaps from swap data repositories. Annualized volume is based on data obtained from the swaps data repositories for the period from October 2013 to August 2014.

Swap Volume Data from Swap Data Repositories[19]

In 2013, the CFTC began publishing the Weekly Swaps Report including volume data. The CFTC Swaps Report currently incorporates data from four swap data repositories; however data from additional swap data repositories could be incorporated in the future.

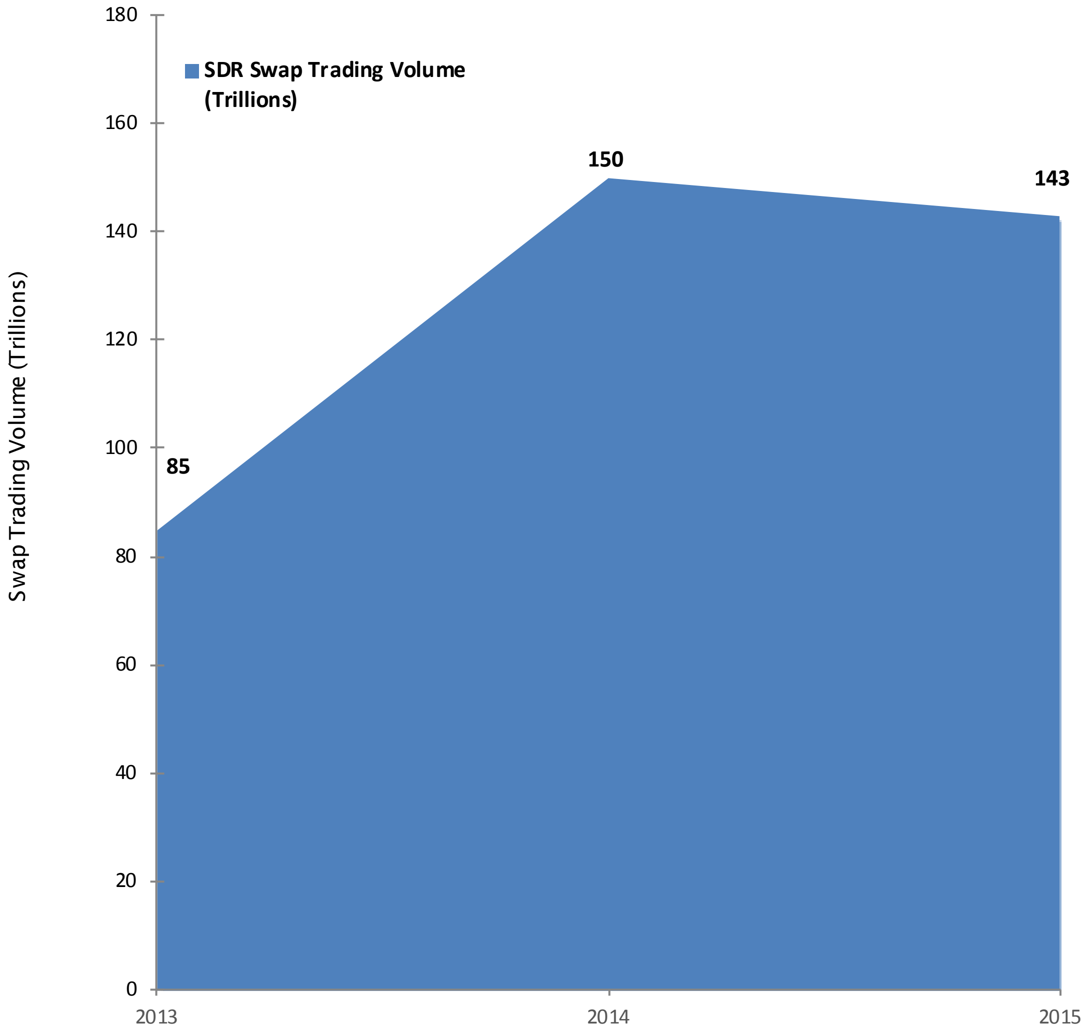


Figure 14: Swaps Volume from Swap Data Repositories

[19] Data Source: Swap data repositories. Data includes interest rate swaps and credit default swaps only. Annualized volume for 2013 is based on data obtained from swap data repositories for the period from October 2013 to August 2014.

Growth in Actively Traded Futures & Option Contracts[20]

The number of actively traded contracts on U.S. exchanges (contracts that trade at least 10 contracts on at least one day in the calendar year) has more than tripled in the last 10 years; with a substantial increase in 2014. As the number of actively traded contracts increases, CFTC resource requirements also increase since the CFTC has to conduct market surveillance for a larger number of products.

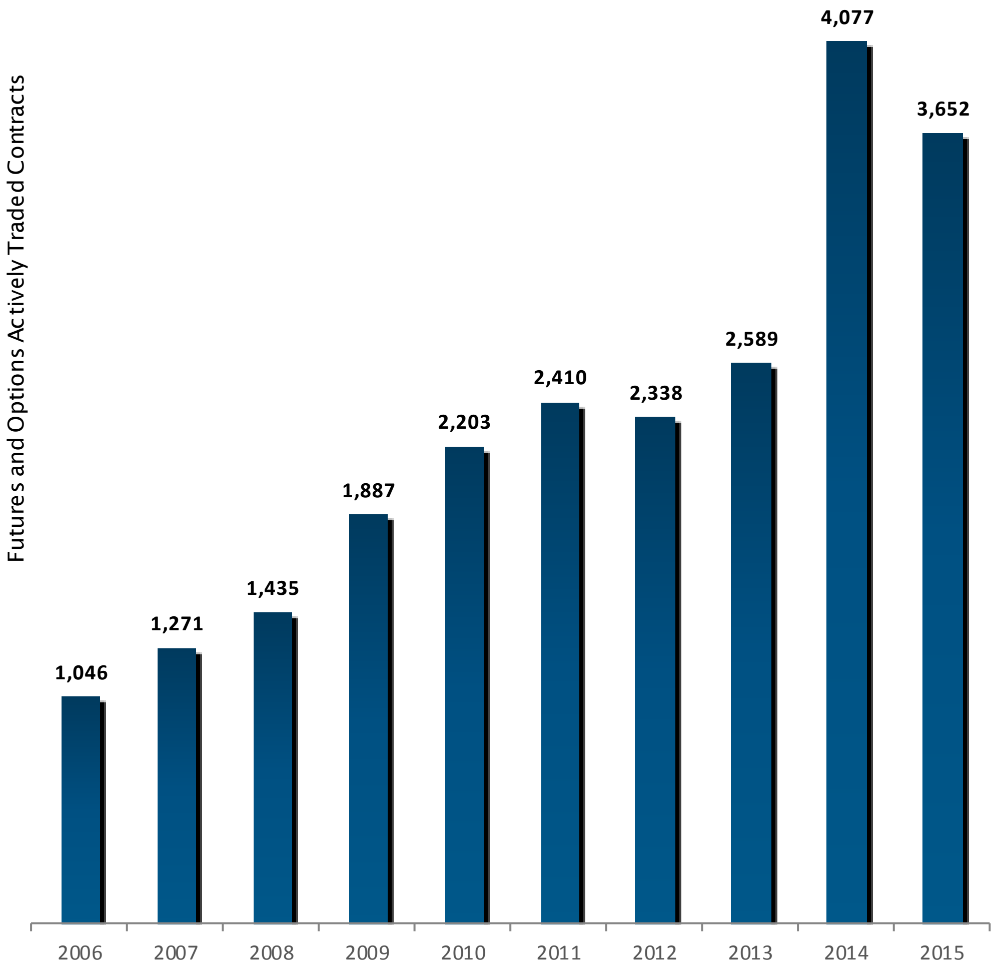


Figure 15: Actively Traded Futures and Option Contracts

[20] Data Source: CFTC Integrated Surveillance System

Notional Value of Exchange-Traded and Over-the-Counter Contracts[21]

The Commission's ability to monitor derivatives trading activity has been enhanced in recent years with the development of swap data repositories, although additional resources are needed to render the data in a more useable form so that it can be used for economic analyses and to conduct market surveillance.

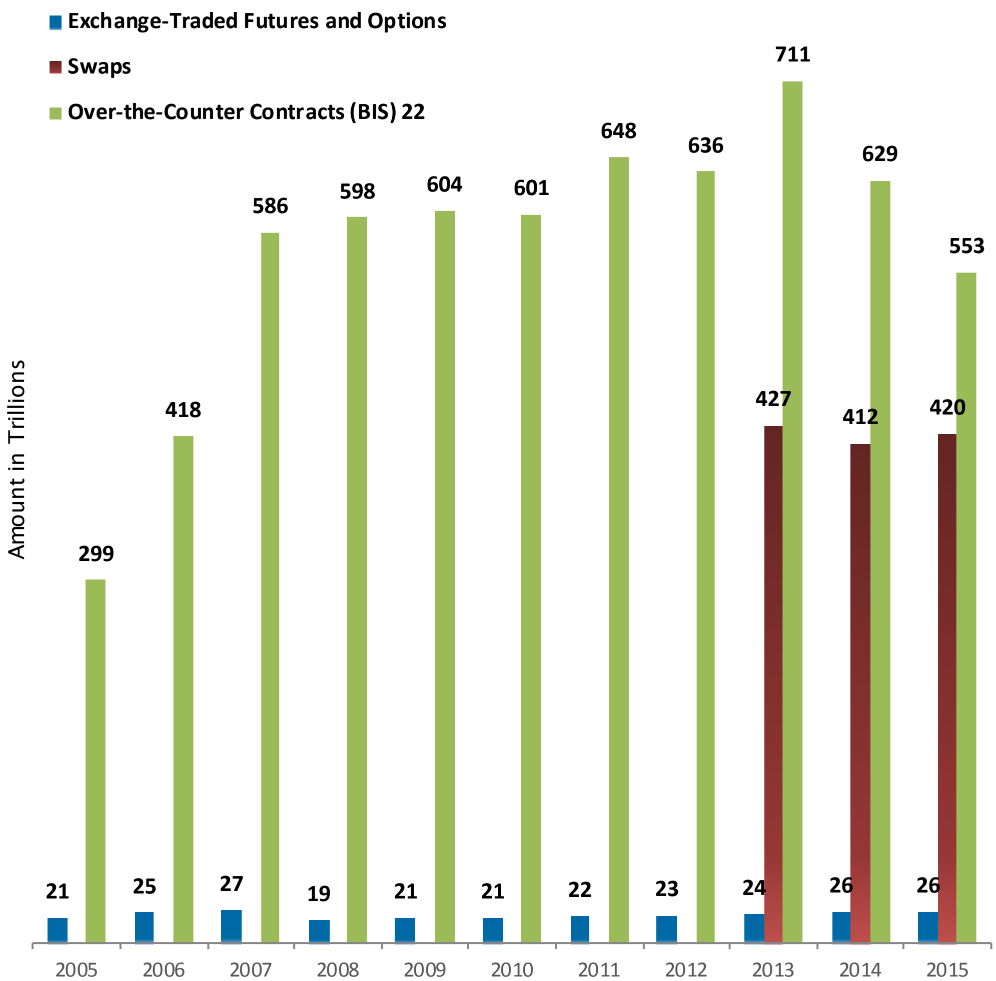


Figure 16: Notional Value of Exchange-Traded and Over-the-Counter Contracts

[21] Data for "swaps" currently includes data from four swap data repositories and reflects data relating to interest rates and credit default swaps. Data for "exchange-traded futures and options" reflect interest rate and foreign exchange contracts globally, as reported by the Bank of International Settlements (BIS). Data for "over-the-counter (BIS)" reflects global over-the-counter data reported by the Bank of International Settlements (BIS). BIS data is for June 30, 2015.

Customer Funds in Futures Commission Merchants Accounts[22]

futures commission merchants (FCMs) act as intermediaries between the exchanges and the public investor, serve as a broker for the purchase and sale of swaps and derivatives, and function as a custodian for billions of dollars of customer funds. As a key component of the Commission's regulatory frame work for both FCMs and retail foreign exchange dealers (RFEDs), all customer funds for trading on designated contract markets (exchanges) must be segregated from the FCM or RFED's own funds—this includes cash deposits and any securities or other property deposited by such customers to margin or guarantee futures trading. In addition, Part 30 of the CFTC's regulations also requires FCMs to hold apart from their own funds a "secured amount" for U.S. customers trading on foreign boards of trade through FCMs. This segregation of customer funds is the core foundation of customer protection in the commodity futures and swaps markets because it prohibits the use of non-defaulting, innocent customers' collateral to protect the FCM or RFED firm or their clearing members from trading risks.

Although the Commission has required segregation of funds reporting for FCM/RFED futures transactions since 2003, the CFTC made the decision to expand this mandate to cover all customer-cleared swap funds held by these entities in January 2012 (formal reporting become effective in June 2014). The segregated swap fund information for FY 2015, reflects the first complete fiscal year of formal reporting, which shows a net increase of 42 percent over the FY 2014 partial-year level.

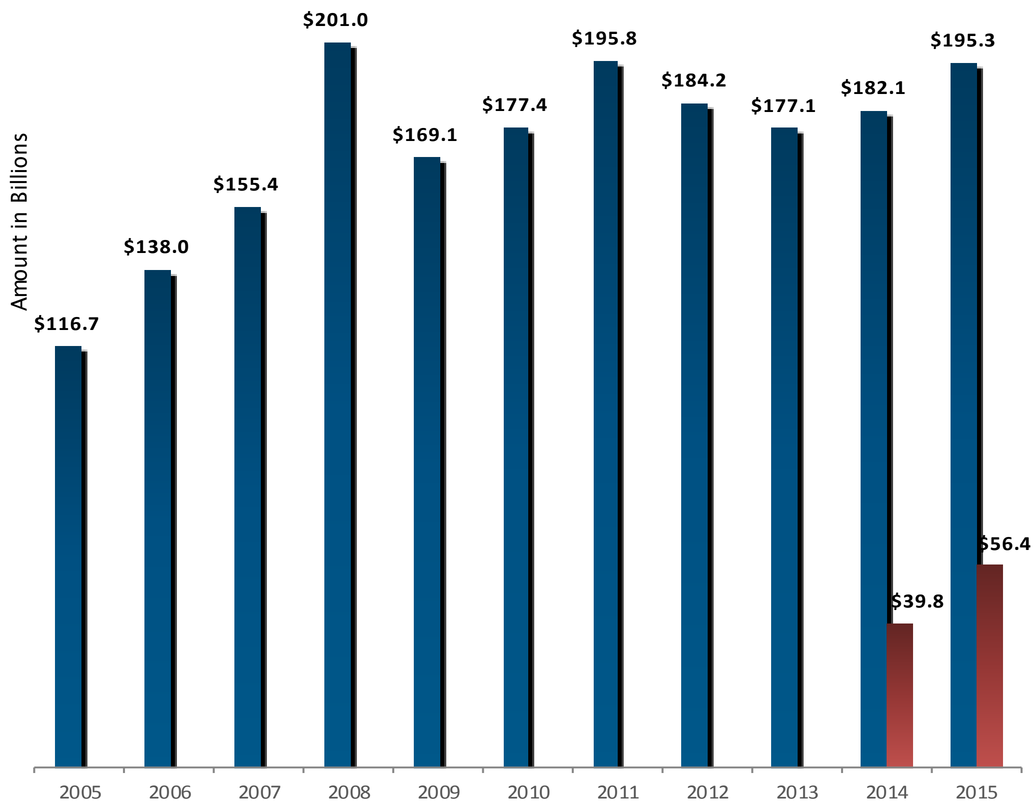


Figure 17: Customer Funds in FCM Accounts

[22] Data Source: CFTC Monthly FCM Financial Reporting

Margin Requirements[23]

Changes in total margin requirements can be due to changes in the size of cleared positions, or changes in volatility and margin rates. In the past year, total margin requirements have increased $21 billion, or nine percent. Futures account for about 57 percent of total margins, interest rate swaps about 33 percent and credit default swaps about 10 percent. Additional products moving to clearing will continue to increase firm and swap margin requirements. Interest rate futures requirements should increase as interest rate swaps clearing increases.

Interest rate swaps has accounted for the majority of increase in swap margin requirements. Both interest rate swaps customer and house requirements have experienced material increases.

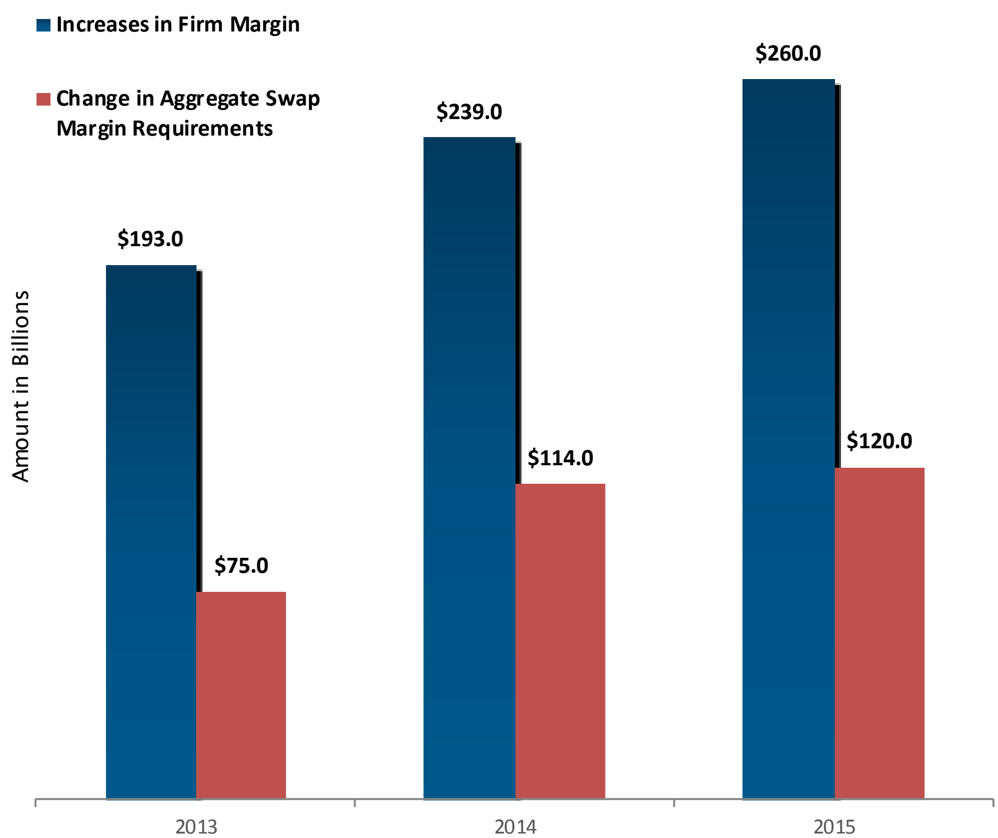


Figure 18: Margin Requirements

[23] Data Source: Part 39 filings provided daily to CFTC by derivative clearing organizations.

Swap Execution Facilities Registered with the CFTC

The following swap execution facilities currently meet the criteria and core principles for trading swaps by institutional participants. For each business day, each SEF electronically submits several data sets to the CFTC. These data sets are a major source of input to the Commission's surveillance programs and for input to other programs throughout the CFTC. In particular, under 16.01, the swap execution facilities provide trading volume, prices, and critical dates.

The number of new contracts listed by swap execution facilities each year will add to the surveillance workload in several ways. New contract terms and conditions have to be studied for full understanding of the product characteristics, support data for each contract has to be defined to the internal database systems, new analysis if appropriate need to be developed, and software engines may have to be modified. Additionally, each analyst must spread his/her time across more and more contracts, limiting in some way the degree of analysis on any one contract.

FY 2015 Swap Execution Facilities
360 Trading Networks, Inc
BGC Derivatives Markets, L.P.
Bloomberg SEF LLC
Chicago Mercantile Exchange, Inc.
DW SEF LLC
GFI swaps Exchange LLC
ICAP Global Derivatives Limited
ICAp SEF (US) LLC
ICE Swap Trade LLC
Javelin SEF, LLC
LatAm SEF, LLC
MarketAxess SEF Corporation
SwapExLLC
Thomson Reuters (SEF) LLC
tpSEF Inc.
Tradition SEF, Inc.
trueEX LLC
TW SEF LLC

Contract Markets Designated by the CFTC

The following designated contract markets are boards of trade or exchanges that meet the criteria and core principles for trading futures, options or swaps by both institutional and retail participants. Currently, 15 designated contract market participants meet criteria and core principles for trading futures, options and swaps. For each business day, each designated contract market electronically submits several data sets to the CFTC. These data are a major source of input to the Commission's surveillance programs and for input to other programs throughout the CFTC. Per CFTC Rule 16.01 of the Commission's regulations, basic market level product data is submitted that includes open interest, trading volume, exchange of futures for related positions, delivery notices, option deltas, and prices. Per CFTC Rule 16.00, clearing member end of day position data by proprietary and customer trading is received. Customer data is the aggregation of all customer positions cleared through the clearing member. Data elements include positions, bought and sold quantities, exchange of futures for related positions, and delivery notices. Per CFTC Rule 16.02, each transaction occurring during the business day is submitted and includes such elements as trade quantity, time of trade, price, market participant account numbers, *etc*. These data sets, along with end of day large trader data submitted daily by futures commission merchants, clearing members, and foreign brokers, are loaded into internal database systems and analyzed using sophisticated software applications.

The number of new contracts listed by the designated contract markets each year adds to the surveillance workload in several ways. New contract terms and conditions have to be studied for full understanding of the product characteristics, support data for each contract has to be defined to the internal database systems, new analyses if appropriate need to be developed, and software engines may have to be modified. In addition, each analyst must spread his/her time across more and more contracts, limiting in some way the degree of analysis on any one contract.

Designated Contract Market		2010	2011	2012	2013	2014	2015
Cantor Futures Exchange, L.P.	CX	✓	✓	✓	✓	✓	✓
Board of Trade of the City of Chicago	CBOT	✓	✓	✓	✓	✓	✓
Chicago Climate Futures Exchange, LLC	CCFE	✓	✓	✓	✓	✓	✓
CBOE Futures Exchange, Inc.	CFE	✓	✓	✓	✓	✓	✓
Chicago Mercantile Exchange, L.P.	CME	✓	✓	✓	✓	✓	✓
Commodity Exchange Inc.	COMEX	✓	✓	✓	✓	✓	✓
ELX Futures, L.P.	ELX	✓	✓	✓	✓	✓	✓
Eris Exchange, LLC	ERISDCM		✓	✓	✓	✓	✓
Green Exchange, LLC[24]	GREENEX	✓	✓	✓			
ICE Futures US, Inc.[25]	ICE US	✓	✓	✓	✓	✓	✓
Kansas City Board of Trade	KCBT	✓	✓	✓	✓		
Minneapolis Grain Exchange, Inc.	MGE	✓	✓	✓	✓	✓	✓
North American Derivatives Exchange, Inc. [26]	NADEX	✓	✓	✓	✓	✓	✓

[24] Designation vacated in July 2012
[25] Formerly, New York Board of Trade
[26] Formerly, HedgeStreet, Inc.

Designated Contract Market (continued)		2010	2011	2012	2013	2014	2015
NASDAQ OMX Futures Exchange, Inc. [27]	NFX	✓	✓	✓	✓		
New York Mercantile Exchange, Inc.	NYMEX	✓	✓	✓	✓	✓	✓
Nodel Exchange, LLC	NEX				✓	✓	✓
NYSE Liffe US, LLC	NYSE LIFFE	✓	✓	✓	✓		
OneChicago LLC Futures Exchange	OCX	✓	✓	✓	✓	✓	✓
The Trend Exchange	TRENDEX	✓	✓	✓	✓		
trueEx LLC	TRUEEX			✓	✓	✓	✓
TOTAL		17	18	19	19	15	15

Table 20: Contract Markets Designated by the CFTC

[27] Formerly, Philadelphia Board of Trade

Derivatives Clearing Organizations Registered with the CFTC

A clearinghouse that seeks to provide clearing services with respect to futures contracts, options on futures contracts, or swaps must register with the CFTC as a derivative clearing organization (DCO). In FY 2015, 15 DCOs were registered with the CFTC. The Commission is currently (second quarter of FY 2016) processing two applications for DCO registration (both of which are from foreign clearinghouses) and expects to receive one or two more applications in FY 2016. These numbers do not include foreign clearinghouses that have expressed an interest in receiving from the Commission an exemption from DCO registration. Any clearinghouse that receives such an exemption would still be subject to limited oversight by the Commission.

While the number of DCOs has declined slightly over the past few years due to consolidation in the industry, the Commission's oversight of DCOs has greatly expanded as a result of the Dodd-Frank Act and the adoption of implementing regulations. In addition, the DCOs' activities have become more complex as they have expanded their product offerings and increased their memberships. Finally, the movement of swaps to a cleared environment has created greater transparency in the market, but has also shifted significant new levels of counterparty risk to DCOs. As more swap activity migrates to clearing, the DCOs are holding substantial amounts of collateral that have been deposited by clearing members and the customers of those clearing members.

Derivatives Clearing Organizations		2010	2011	2012	2013	2014	2015
Cantor Clearinghouse L.P.	**Cantor Clearinghouse**	✓	✓	✓	✓	✓	✓
Chicago Board of Trade[28]	**CBOT**	✓	✓	✓			
Clearing Corporation	**CCorp**	✓	✓	✓	✓	✓	✓
Chicago Mercantile Exchange , Inc.	**CME Clearing House**	✓	✓	✓	✓	✓	✓
Chicago Mercantile Exchange Europe Limited[29]	**CME Clearing Europe**		✓	✓			
ICE Clear Credit LLC	**ICE Clear Credit**		✓	✓	✓	✓	✓
ICE Clear Europe Ltd	**ICE Clear Europe**	✓	✓	✓	✓	✓	✓
ICE Clear US, Inc.[30]	**ICE Clear US**	✓	✓	✓	✓	✓	✓
Kansas City Board of Trade Clearing Corp[31]	**KCBT**	✓	✓	✓			
LCH, Clearnet LLC.[32]	**LCH LLC**	✓	✓	✓	✓	✓	✓
LCH, Clearnet Ltd	**LCH Ltd**	✓	✓	✓	✓	✓	✓
LCH, Clearnet SA	**LCH SA**					✓	✓
Minneapolis Grain Exchange Inc.	**MGE**	✓	✓	✓	✓	✓	✓

28 Registration vacated as of 8/6/2012
29 Registration vacated as of 3/13/2012
30 Formerly, New York Clearing Corporation
31 Registration vacated as of 4/16/2013
32 Formerly, International Derivatives Clearinghouse LLC

Derivatives Clearing Organizations		2010	2011	2012	2013	2014	2015
Natural Gas Exchange Inc.	**NGX**	✓	✓	✓	✓	✓	✓
New York Portfolio Clearing, LLC	**NYPC**		✓	✓	✓		
Nodal Clear, LLC	**Nodal Clear**						✓
North American Derivatives Exchange, Inc.[33]	**NADEX**	✓	✓	✓	✓	✓	✓
NYMEX Clearing House[34]	**NYMEX**	✓	✓	✓			
Options Clearing Corporation	**OCC**	✓	✓	✓	✓	✓	✓
Singapore Exchange Derivatives Clearing	**SGX-DC**					✓	✓
TOTAL		**14**	**17**	**17**	**13**	**14**	**15**

Table 21: Derivatives Clearing Organizations Registered with the CFTC

[33] Formerly, HedgeStreet, Inc.
[34] Registration vacated as of 8/6/2012

Growth in Number of Types of Swaps Data[35] Loaded into CFTC Systems

The Commission uses swaps data to understand risks in the financial markets, to surveil the markets we oversee, and to identify people or activities which are illegal, unfair, or risky. As the markets have become more complex and automated, and the number of markets we oversee has grown, the amount of data, and the complexity of that data has increased dramatically. Swaps data is maintained at the CFTC so tools we use to identify risky, illegal, or unfair market practices can quickly return results to CFTC analysts. Analysts can only protect the markets when data is available to the tools that they use versus other approaches such as having to search the web or rely on external sources to perform their work.

Annual changes in the data focus on ensuring that the data represents current market structure and understanding. Data that was received in the past (for example 5 or 10 years ago) is useful, but does not address the level of complexity in today's market. Exchanges, Swaps Dealers, Clearing Organizations, and other Market participants are trading products that could not have been described in older data streams. New data streams require a level of support to ensure that they are of sufficient quality to help the CFTC protect the market. As market complexity has increased, the work required to ensure that the new data streams are of high quality has also increased. This requires additional resources.

The CFTC receives data from more than 200 new entities, such as clearing members, swap dealers, derivatives clearing organizations, large banks and traders in futures and options markets, swap data repositories and swap execution facilities, which did not previously provide data prior to the Dodd-Frank Act. The amount of data received and loaded into CFTC systems over five years has more than quadrupled. CFTC currently has plans to receive automated data from up to 6,000 new reporting entities in the coming years. The 6,000 entities represent market participants that will be required to submit Form 40[36] reports electronically once the Ownership and Control Reporting (OCR) rule is fully implemented.

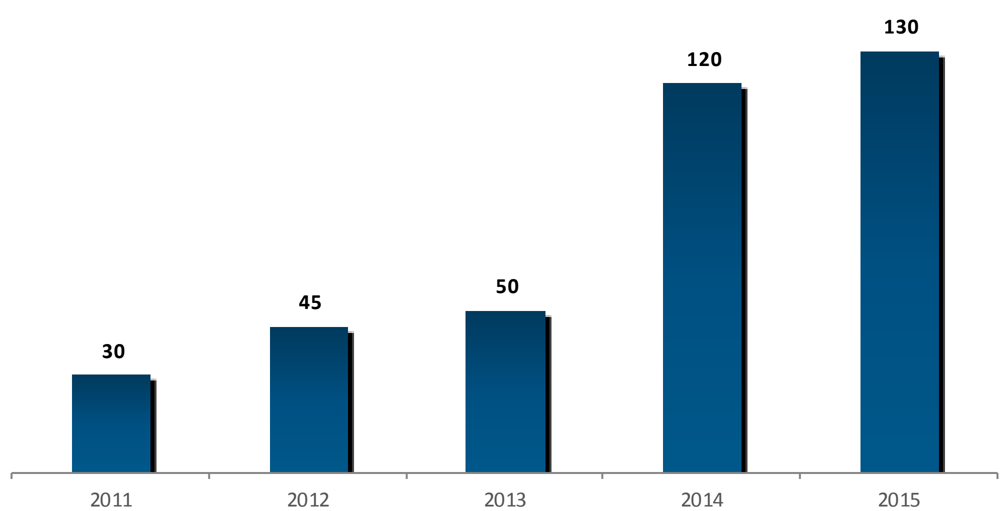


Figure 19: Number of Types of Swaps Data Loaded into CFTC Systems

[35] Swaps data include Part 20 and Part 39 interim records reporting files, additional by-rule development, Part 45 swaps data reporting, OCR-ownership and control reporting, and Volcker data.

[36] CFTC Form 40, Statement of Reporting Trader, is a reporting requirement for every person that holds a reportable position in accordance to Section 1804 of the CEA. The information requested is used generally in the Commission's market surveillance activities to provide information concerning the size and composition of the commodity futures or option markets, and to permit the Commission to monitor and enforce the speculative position limits that have been established. The complete listing of routine uses, in accordance with the Privacy Act, 5 U.S.C. §522a, and the Commission's rules thereunder, 17 CFR Part 146, of the information contained in these records is found in the Commission's annual notice of its system of records.

APPENDIX 7

Table of Acronyms

CFTC Divisions and Offices

DCR	Division of Clearing and Risk
DMO	Division of Market Oversight
DOE	Division of Enforcement
DSIO	Division of Swap Dealer and Intermediary Oversight
OCE	Office of the Chief Economist
OCO	Office of Consumer Outreach
ODT	Office of Data and Technology
OED	Office of the Executive Director
OGC	Office of the General Counsel
OIA	Office of International Affairs
OIG	Office of the Inspector General
OMWI	Office of Minority and Women Inclusion
WBO	Whistleblower Office

U.S. Federal Law

CEA	Commodity Exchange Act
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
FECA	Federal Employees' Compensation Act
FISMA	Federal Information Security Management Act
FOIA	Freedom of Information Act

Other Abbreviations

BIS	Bank of International Settlements
CDS	Credit Default Swap
CEA	Commodity Exchange Act
CFTC	U.S. Commodity Futures Trading Commission
CPO	Commodity Pool Operator
CTA	Commodity Trading Advisor
DCM	Designated Contract Market
DCO	Derivatives Clearing Organization
DSRO	Designated Self-Regulatory Organization
EURIBOR	Euro Interbank Offered Rate
FBOT	Foreign Board of Trade
FCM	Futures Commission Merchant
FTE	Full-time Equivalent
FY	Fiscal Year
IB	Introducing Broker
IOSCO	International Organization of Securities Commission
IRS	Interest Rate Swap
ISDAFIX	International Swaps and Derivatives Association Fix
IT	Information Technology
LEI	Legal Entity Identifier

LIBOR	London Interbank Offered Rate
MAT	Made Available to Trade
MSP	Major Swap Participant
NFA	National Futures Association
PPA	Program, Project, and Activity
RFED	Retail Foreign Exchange Dealer
SD	Swap Dealer
SDR	Swap Data Repository
SEC	U.S. Securities and Exchange Commission
SEF	Swap Execution Facility
SIDCO	Systemically Important Designated Contract Market
SRO	Self-Regulatory Organization
UPI	Unique Product Identifier
UTI	Unique Transaction Identifier